

Results of mBank Group Q2 2018

**Strong revenue momentum continued.
Accelerating loan and deposit volumes.**

Management Board of mBank S.A.

Investor Presentation

July 31, 2018



Disclaimer

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Estimates presented in this document rely on historical experience and other factors, including expectations concerning future events, which seem justified under the given circumstances.

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This presentation has been completed as of the date indicated at the beginning and will not be updated.

Agenda



Summary of Main Trends in Q2/18

Business Development of Retail and Corporate Segment

Key Financials



Analysis of the Results after Q2/18

Loans and Deposits

Total Income and its Main Components

Total Costs and Efficiency

Loan Loss Provisions and Portfolio Quality

Capital and Liquidity Ratios



Macroeconomic Update and Outlook



Appendix

Selected Financial Data

Detailed Results of Business Lines



Key highlights of Q2 2018



Net profit of PLN 287.4 M (+6.6% YoY), quarterly dynamic impacted by a one-off **Historically high core income of PLN 1,103.3 M despite lower insurance fees**

- Net interest income at PLN 854.4 M (+11.7% YoY) on increasing volumes and changing asset mix
- Net fee and commission income at PLN 249.0 M (-1.4% YoY), with continuously rising client activity

Total revenues growing to PLN 1.2 B (+11.8% YoY), costs under control (+4.9% YoY)

- Normalized Cost/Income ratio at 44.1% confirming high efficiency, anchored in optimal platform



Positive trends in volumes, dynamic growth in core products

- Gross loans at PLN 92.7 B (+4.7% QoQ, +7.5% YoY), acceleration in corporate and retail segment
- Customer deposits at PLN 97.8 B (+3.7% QoQ, +10.9% YoY), strong inflows to retail current accounts

Focus on higher margin lending reflected in changing asset mix

- New production of non-mortgage loans reached a record level of PLN 2.33 B (+22% YoY)
- Rising sales of housing loans at PLN 1.15 B (+15% YoY); faster reduction of CHF portfolio (-9.2% YoY)



Capital ratios well above regulatory requirements and sound liquidity level

- Consolidated Tier 1 Capital Ratio at 17.10% and Total Capital Ratio at 20.06%¹

Good asset quality supported by conservative risk management approach

- Cost of risk at 99 bps on higher provisioning in the corporate segment after particularly low Q1/18
- Stable NPL ratio at 5.2% and improved coverage ratio at 60.4% confirming loan portfolio resilience

Attractively-priced issuance of CHF-denominated bonds under EMTN programme

¹ Stand-alone capital ratios were Tier 1 Capital Ratio of 20.21% and Total Capital Ratio of 23.65%

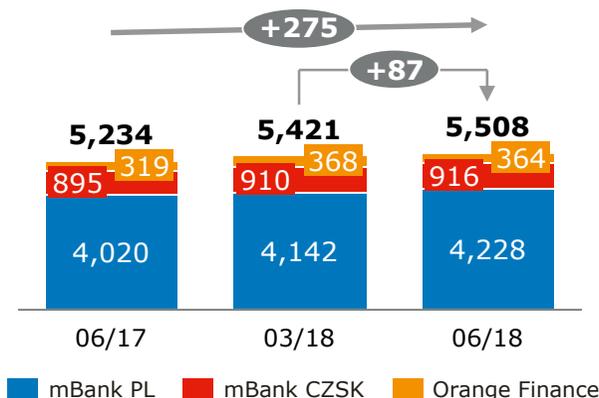
Summary of Q2/18 in mBank Group

Business Development of Retail Banking and Corporate Banking

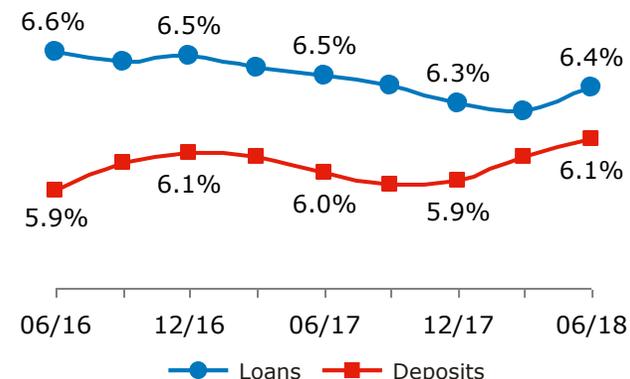
Retail Banking

- Start of enhancing mBank's internet banking through iterative changes of its online transactional platform
- Apple Pay mobile payments available to mBank's clients, who can add their Visa or MasterCard credit or debit cards to the Wallet app

Number of Clients (thou.)



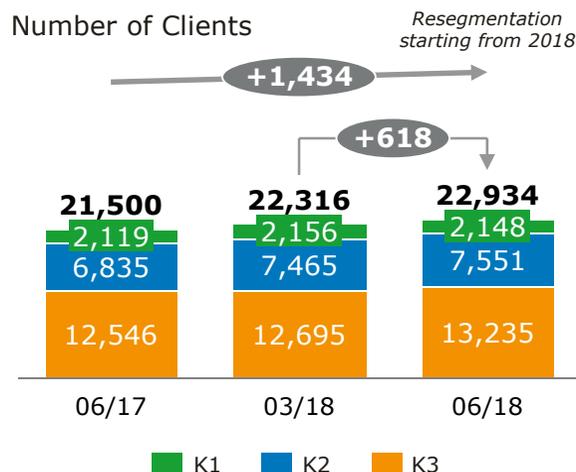
Market shares



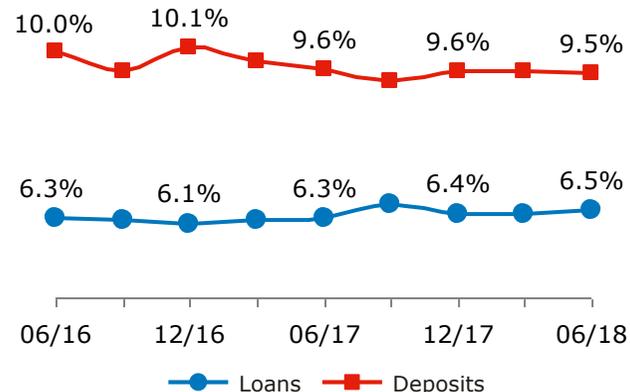
Corporate Banking

- New, redesigned credit process for K3 segment (total exposure up to PLN 2 M) based on more automated assessment (incl. standardized documentation, simplified catalogue of collaterals, risk criteria)
- Offer of liquidity products following the launch of VAT split payment

Number of Clients



Market shares



Note: Corporate clients split: K1 – annual sales over PLN 1 B and non-banking financial institutions; K2 – annual sales of PLN 50 M to PLN 1 B; K3 – annual sales below 50 M and full accounting.

Summary of Q2/18 in mBank Group

Key Financials: Profit and Loss Account

PLN million	Q2/17	Q1/18	Q2/18	change QoQ	change YoY
Net interest income	764.8	816.4	854.4	+4.6%	+11.7%
Net fee and commission income	252.6	268.9	249.0	-7.4%	-1.4%
Total income¹	1,080.9	1,380.6	1,208.2	-12.5%	+11.8%
Total costs (excl. BFG)	-468.2	-483.7	-487.9	+0.9%	+4.2%
Contributions to the BFG ²	-16.9	-117.3	-20.8	-82.3%	+23.0%
Loan loss provisions and fair value change ³	-120.4	-121.8	-217.1	+78.3%	+80.3%
Operating profit	475.4	657.8	482.5	-26.7%	+1.5%
Taxes on the Group balance sheet items	-93.0	-98.5	-98.3	-0.2%	+5.7%
Profit before income tax	382.4	559.6	384.5	-31.3%	+0.6%
Net profit	269.7	411.0	287.4	-30.1%	+6.6%
Net Interest Margin	2.43%	2.59%	2.56%	-0.03 p.p.	+0.13 p.p.
Cost/Income ratio	44.9%	43.5%	42.1%	-1.4 p.p.	-2.8 p.p.
Cost of Risk	0.58%	0.57%	0.99%	+0.42 p.p.	+0.41 p.p.
Return on Equity (ROE)	8.2%	11.9%	8.3%	-3.6 p.p.	+0.1 p.p.
Return on Assets (ROA)	0.83%	1.26%	0.83%	-0.43 p.p.	0.00 p.p.

¹ In Q1/18 mBank Group sold an organised part of the enterprise of mFinance and booked a one-off gain of PLN 219.7 million (pre-tax)

² Including annual contributions to the Resolution Fund of PLN 97.1 million in Q1/18

³ Sum of 'Impairment on financial assets not measured at fair value through profit or loss' and 'Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss'

Summary of Q2/18 in mBank Group

Key Financials: Balance Sheet

<i>PLN million</i>	Q2/17	Q1/18	Q2/18	<i>change QoQ</i>	<i>change YoY</i>
Total assets	129,417	133,640	140,018	+4.8% ↑	+8.2% ↑
Gross loans to customers	86,221	88,528	92,680	+4.7% ↑	+7.5% ↑
Retail client loans	48,758	48,825	51,134	+4.7% ↑	+4.9% ↑
Corporate client loans	36,143	38,760	40,756	+5.2% ↑	+12.8% ↑
Customer deposits	88,156	94,309	97,794	+3.7% ↑	+10.9% ↑
Retail client deposits	53,835	57,720	59,903	+3.8% ↑	+11.3% ↑
Corporate client deposits ¹	31,702	33,183	34,454	+3.8% ↑	+8.7% ↑
Total equity	13,680	14,486	14,521	+0.2% ↑	+6.1% ↑
Loan to Deposit ratio	94.6%	90.8%	91.6%	+0.8 p.p.	-3.0 p.p.
NPL ratio	5.0%	5.1%	5.2%	+0.1 p.p.	+0.2 p.p.
Coverage ratio	60.2%	57.7%	60.4%	+2.7 p.p.	+0.2 p.p.
Tier 1 Capital Ratio	18.5%	17.9%	17.1%	-0.8 p.p.	-1.4 p.p.
Total Capital Ratio	21.2%	20.9%	20.1%	-0.8 p.p.	-1.1 p.p.

¹ Excluding repo / sell-buy-back transactions

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Selected Financial Data

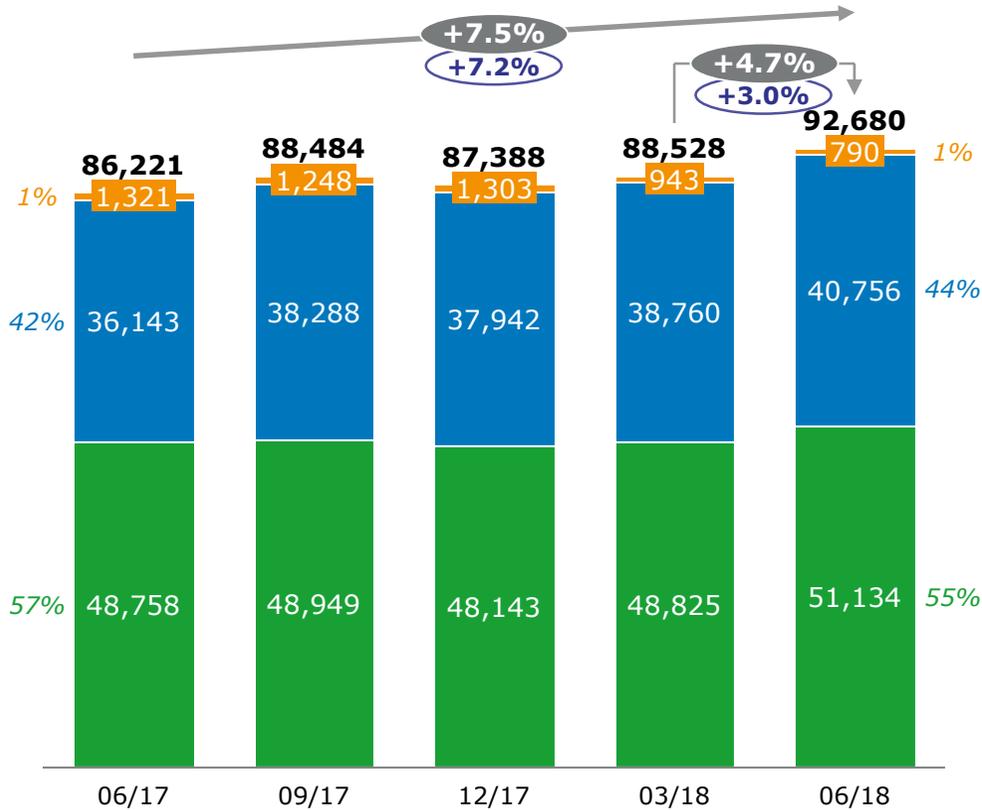
Detailed Results of Business Lines



Results of mBank Group: Loans to customers

Upward trend in loans extended in both corporate and retail segment

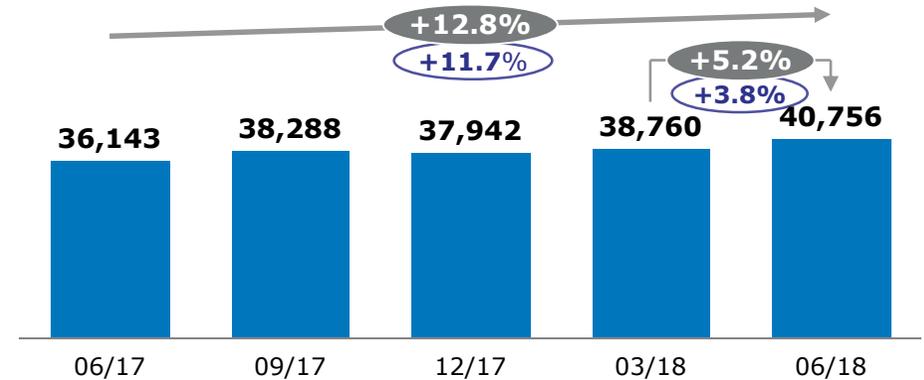
Development of Gross Loans and Advances to Customers (PLN M)



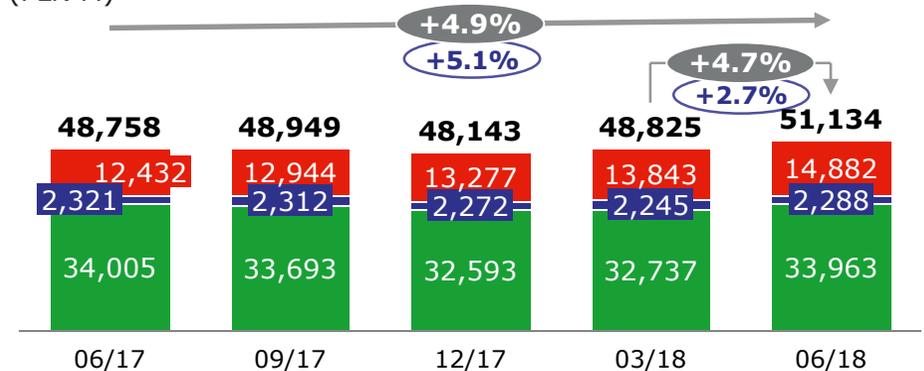
- Individual clients
- Corporate clients
- Public sector & Other receivables

+X.X% Excluding FX effect

Gross Loans to Corporate Entities (PLN M)



Gross Loans to Retail Customers (PLN M)

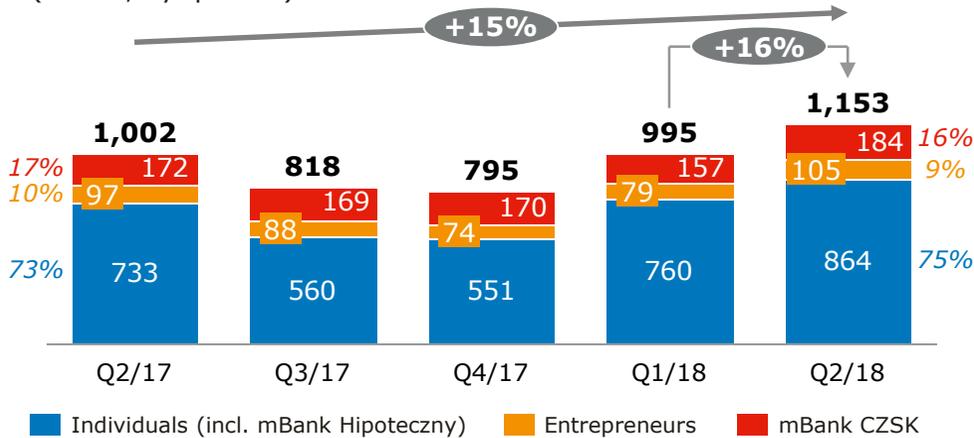


Mortgage loans: ■ to Individuals ■ to Microfirms ■ Non-mortgage loans

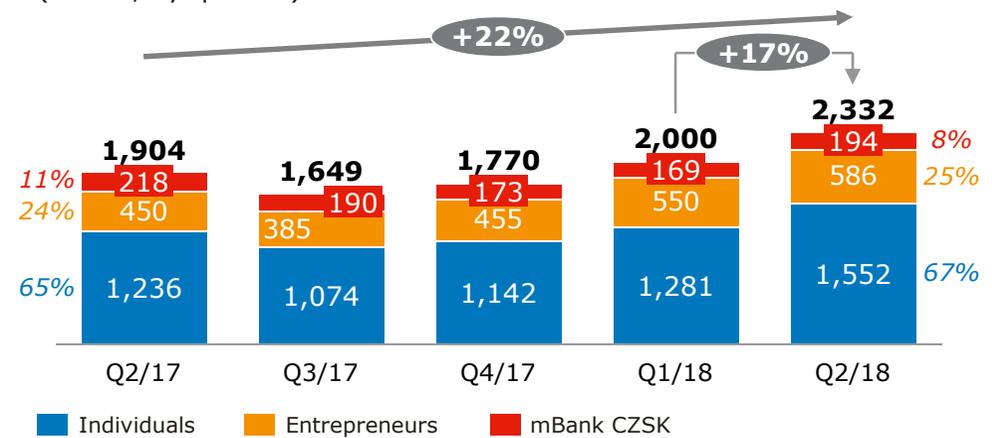
Results of mBank Group: New lending business

Record high non-mortgage lending, accelerating origination of housing loans

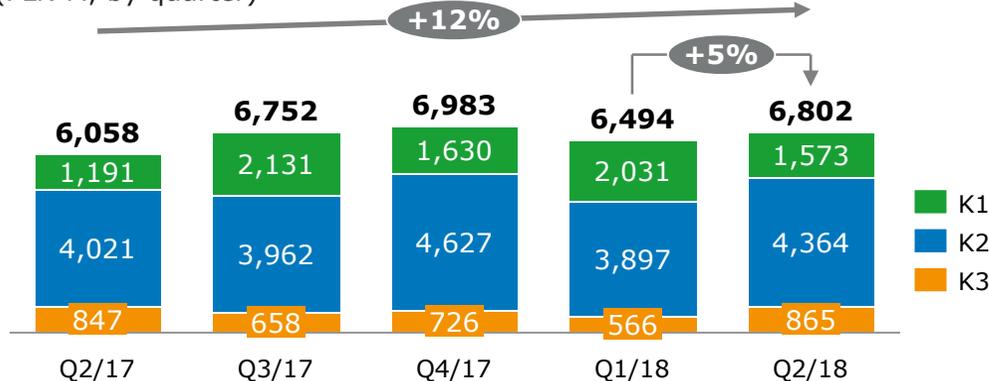
Sales of Mortgage Loans
(PLN M, by quarter)



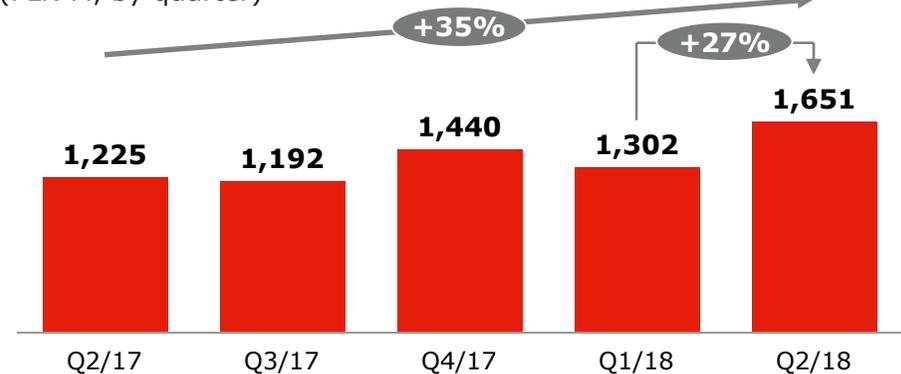
Sales of Non-mortgage Loans
(PLN M, by quarter)



Sales of Corporate Loans¹
(PLN M, by quarter)



New Leasing Contracts
(PLN M, by quarter)



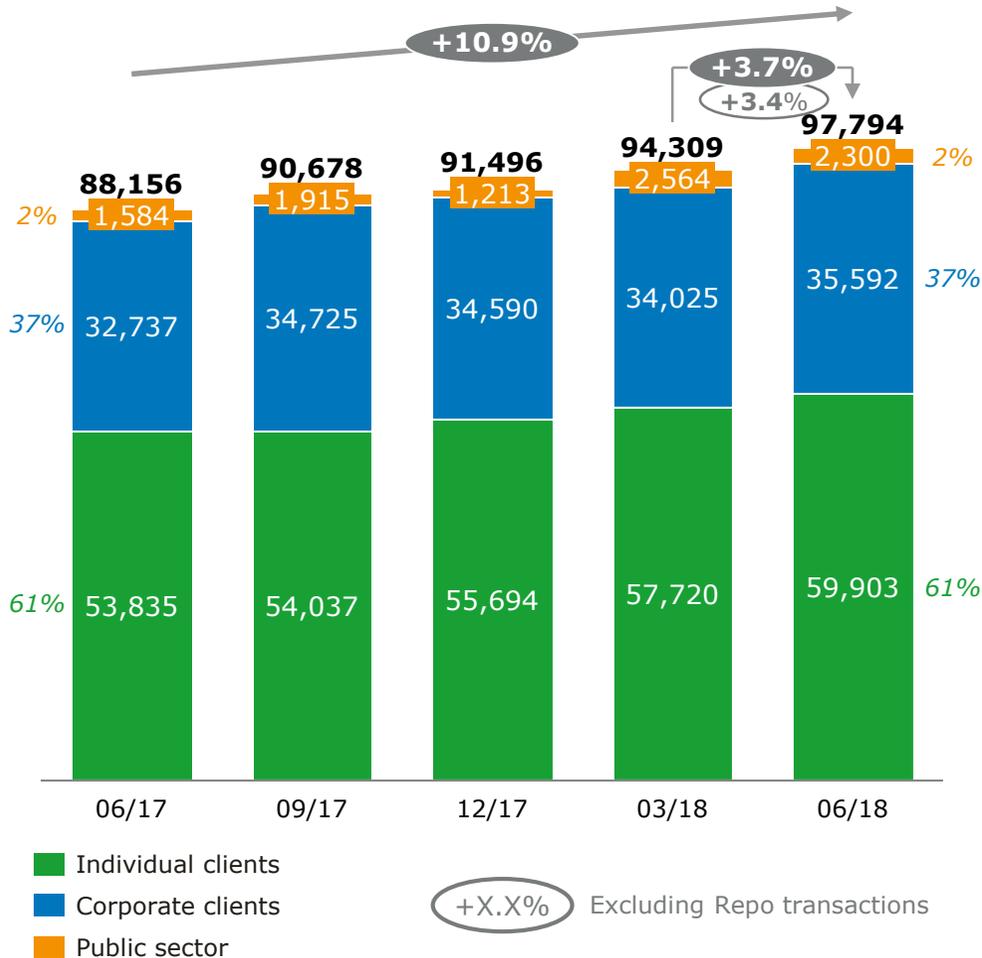
¹ Including new sale, rising and renewal

Note: Corporate clients split: K1 – annual sales over PLN 1 B and non-banking financial institutions; K2 – annual sales of PLN 50 M to PLN 1 B; K3 – annual sales below 50 M and full accounting.

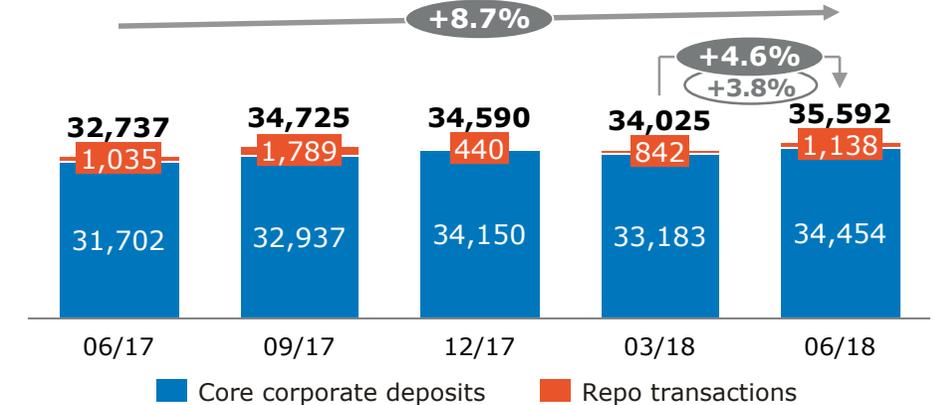
Results of mBank Group: Customer deposits

Continued strong inflows to current accounts driven by transactionality

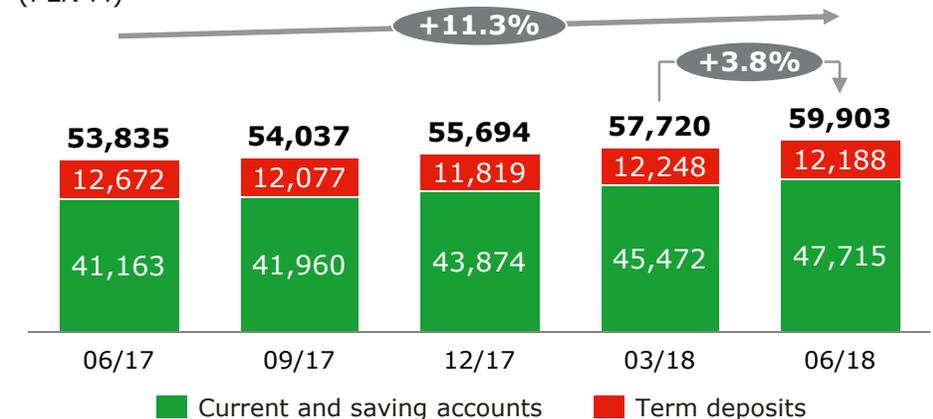
Development of Customer Deposits (PLN M)



Deposits from Corporate Entities (PLN M)



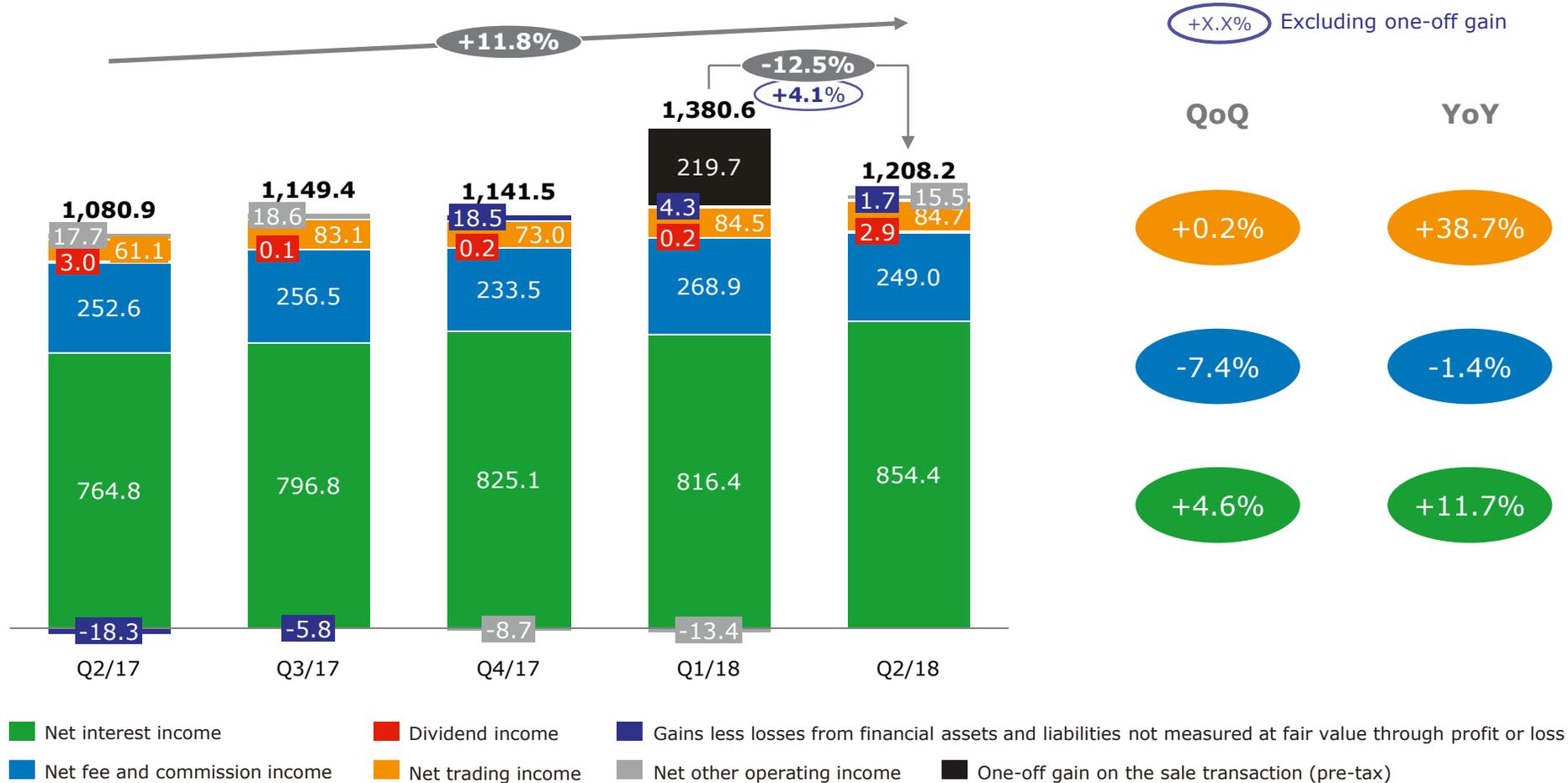
Deposits from Retail Customers (PLN M)



Results of mBank Group: Total income

Core revenues at record high level thanks to robust growth of net interest income

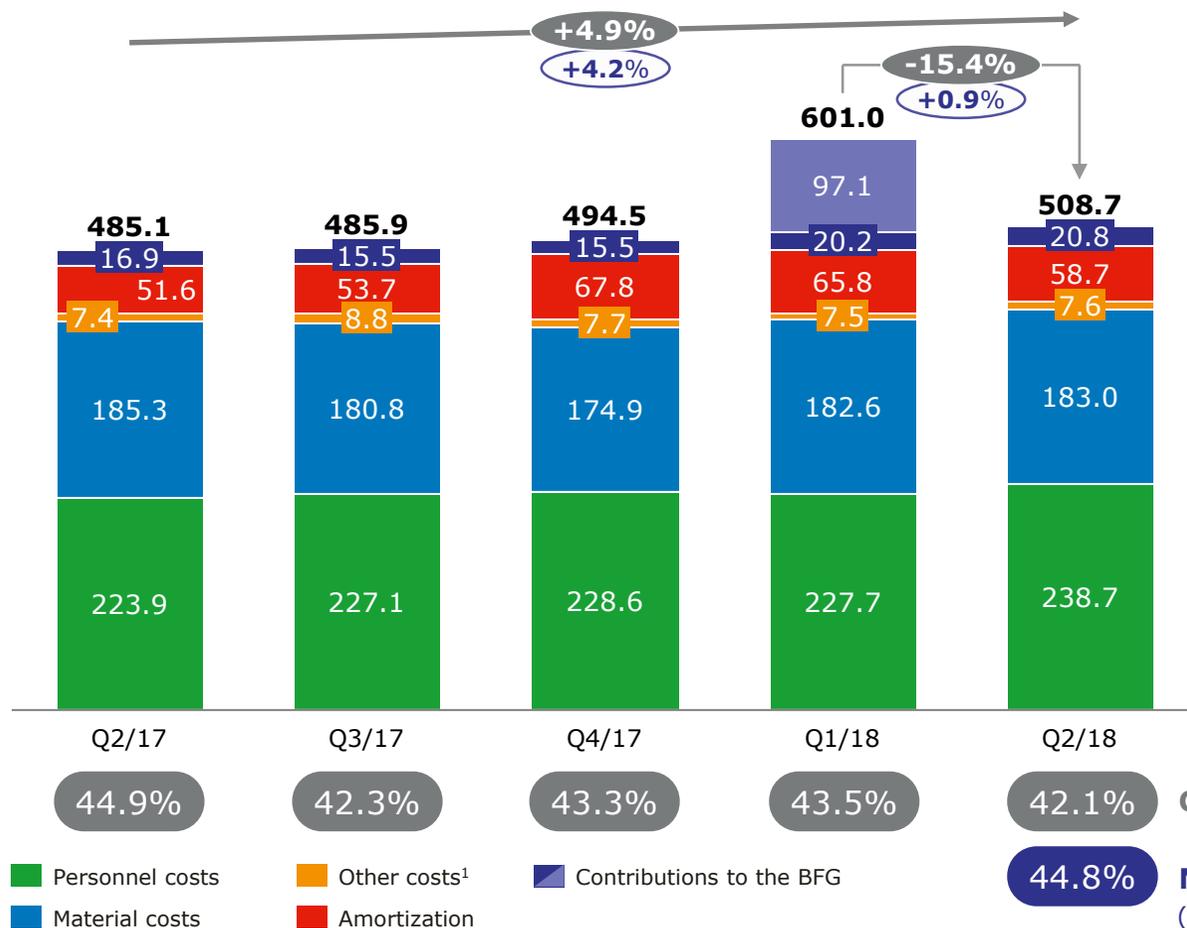
Development of mBank Group's Total Income (PLN M)



Results of mBank Group: Total costs

Persistent good efficiency, minor increase of recurrent costs

Development of mBank Group's Costs (PLN M)



Annual contribution to the Resolution Fund:

- PLN 116.8 million in Q1/17
- PLN 97.1 million in Q1/18

+X.X% Excluding contributions to the BFG



C/I ratio of mBank Group (quarterly)

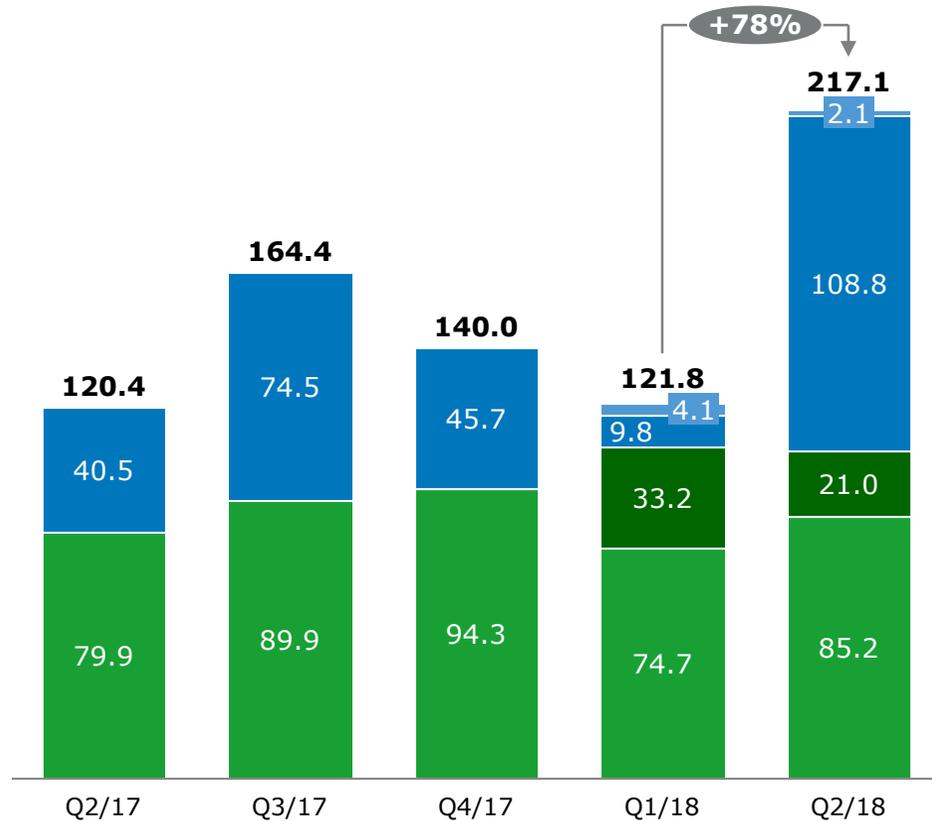
44.8% **Normalized C/I ratio of mBank Group for H1/18**
(excluding one-off gain and 1/2 Resolution Fund)

¹ Including taxes and fees, contributions to the Social Benefits Fund

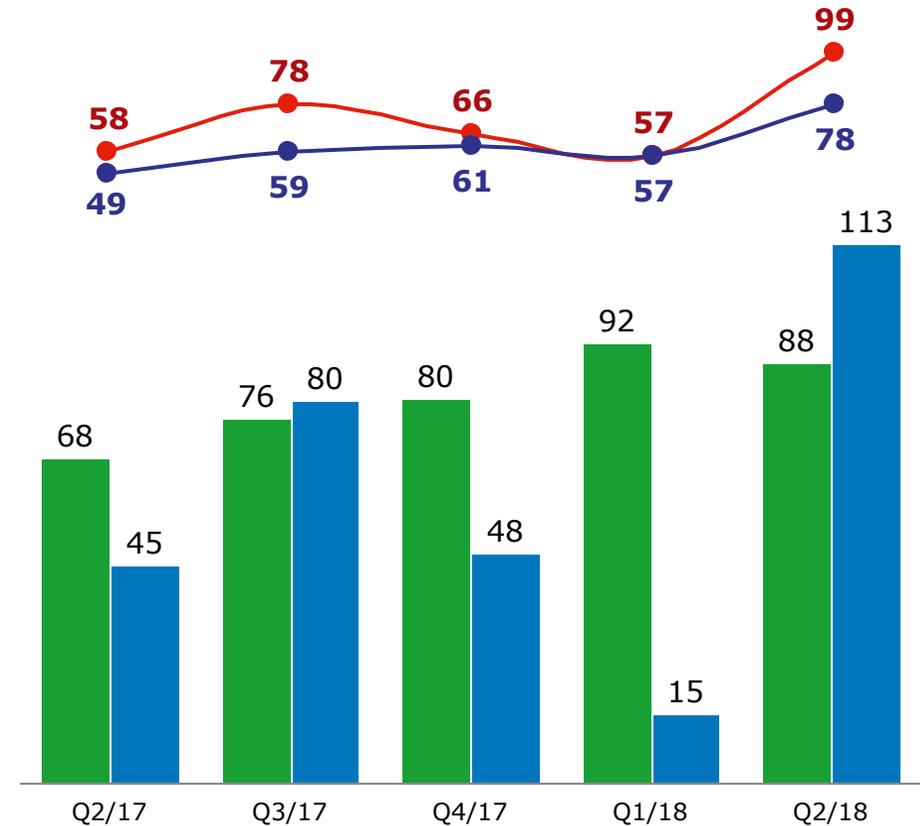
Results of mBank Group: Cost of risk

Increase of risk costs driven by prudent provisioning of some corporate exposures

Net Impairment Losses and Fair Value Change on Loans¹
(PLN M)



mBank Group's Cost of Risk by Segment
(bps)



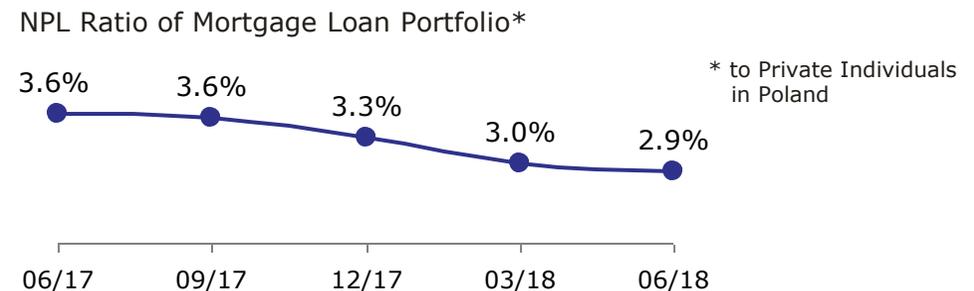
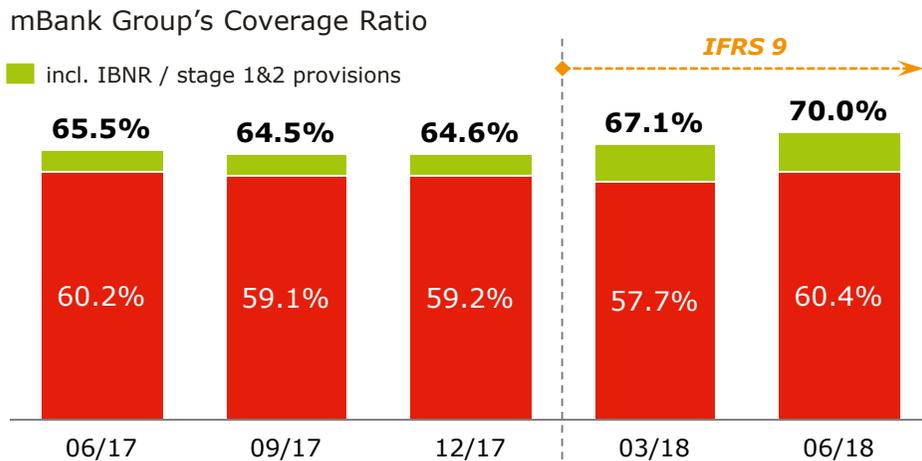
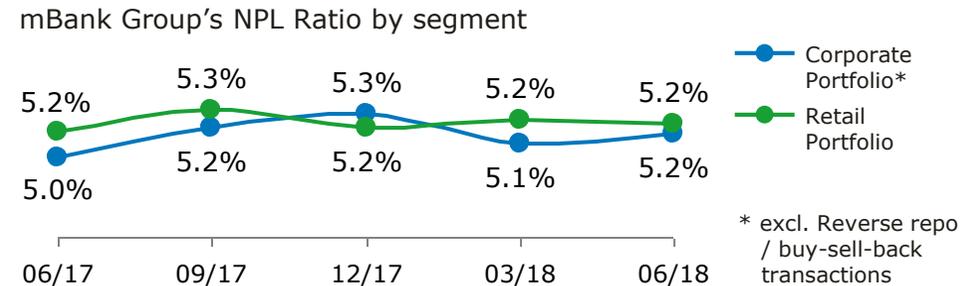
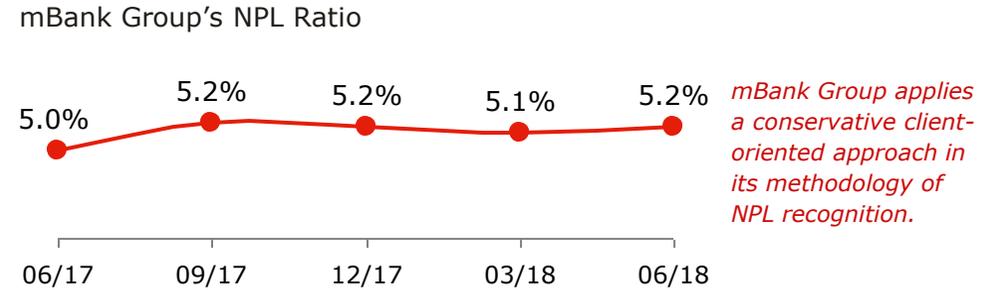
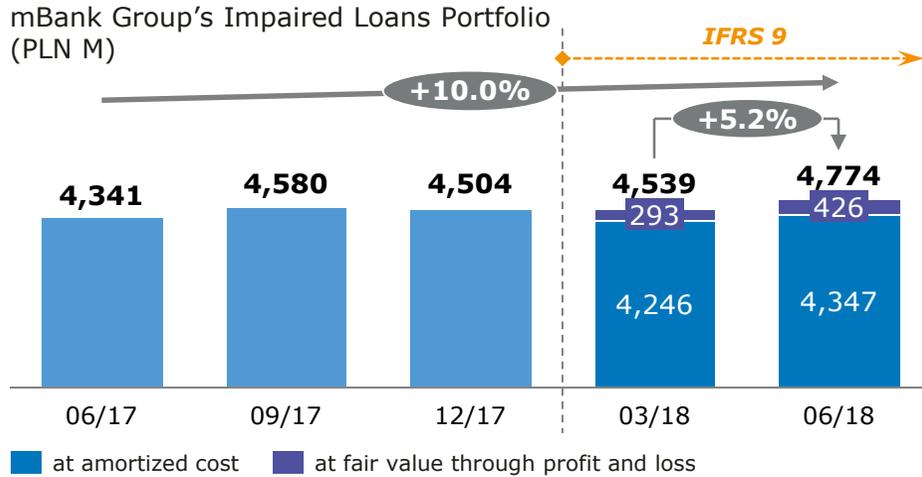
Retail Banking: ■ at amortized cost ■ at fair value
Corporates and Financial Markets: ■ at amortized cost ■ at fair value

mBank Group's Cost of Risk: —●— quarterly —●— YtD
■ Retail Portfolio ■ Corporate Portfolio

¹ Sum of 'Impairment on financial assets not measured at fair value through profit or loss' and 'Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss'

Results of mBank Group: Loan portfolio quality

Good quality of loan portfolio evidenced by resilient risk indicators

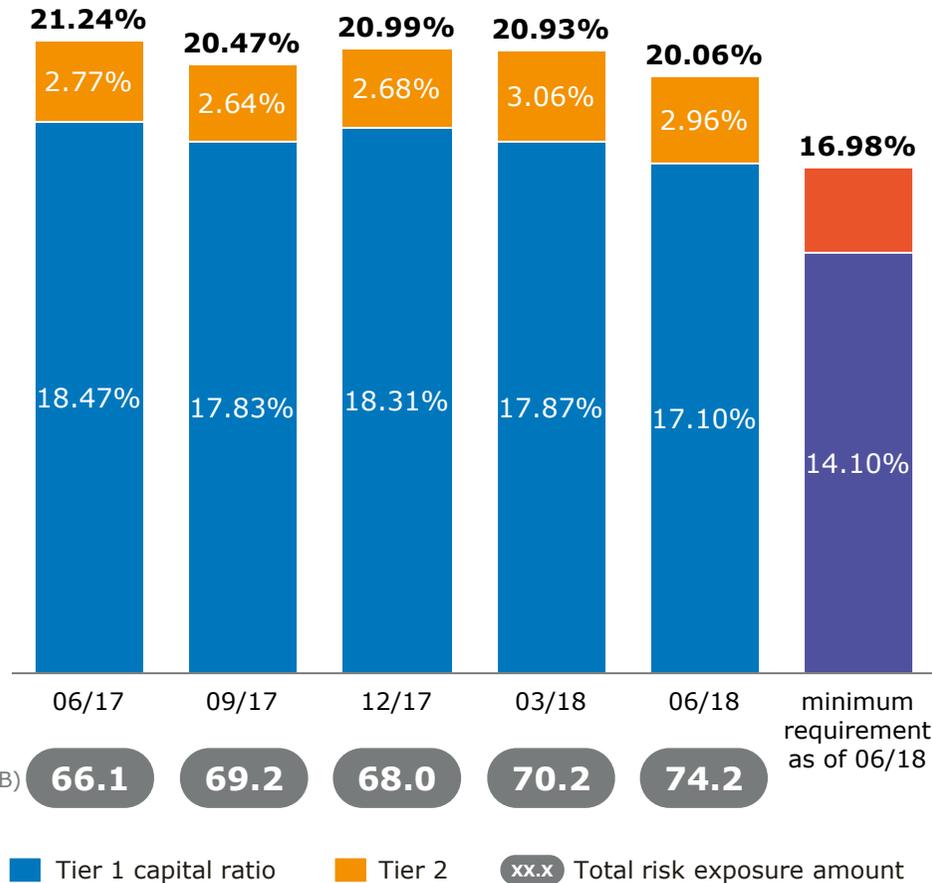


Note: Risk indicators presented for credit portfolio measured both at amortized cost and at fair value through profit or loss.

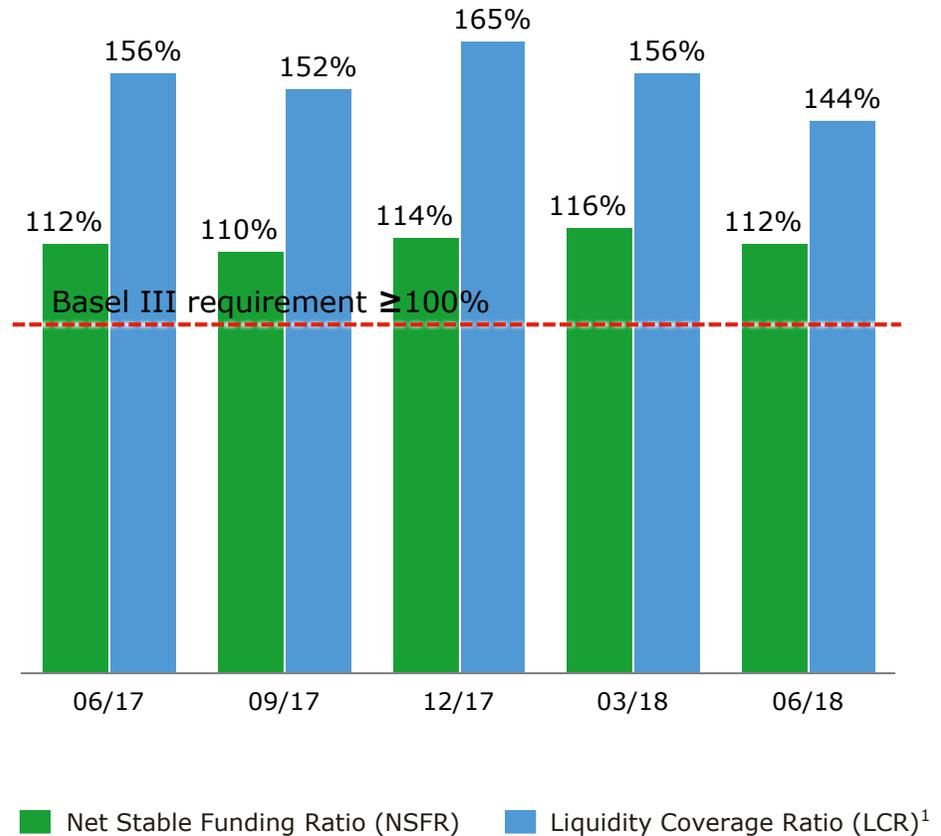
Results of mBank Group: Key regulatory ratios

Strong capital position well above regulatory requirements

mBank Group's Total Capital Ratio



mBank's NSFR and LCR



¹ LCR for mBank Group was at 167% as of 30.06.2018

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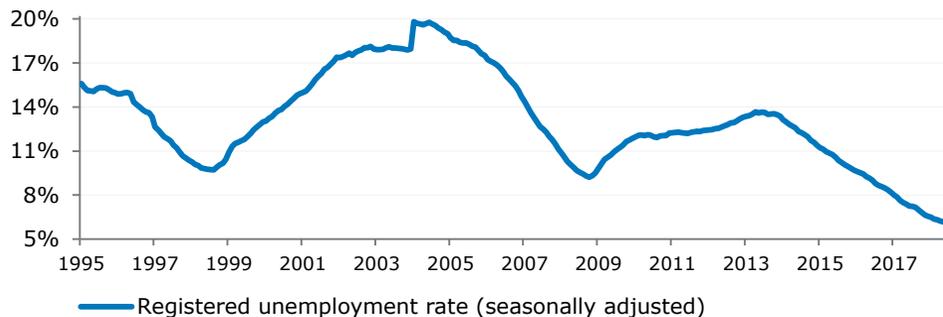
Detailed Results of Business Lines



Macroeconomic Update (1/2)

Raising macroeconomic forecasts yet again

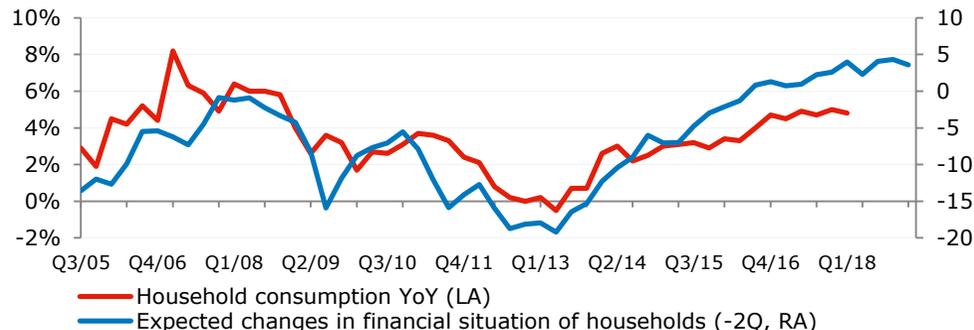
Labour market is in its best shape ever



- Polish unemployment rate is at its lowest since early 1990s and among the lowest in Europe. This has had a transformative effect on consumer sentiment and perception of economic security and prospects.

Source: GUS, NBP

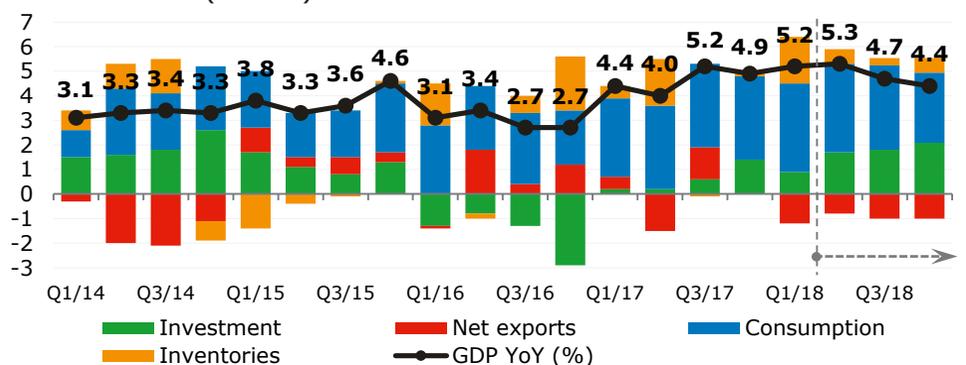
Record-high consumer sentiment is supporting consumption



- Consumption is the key engine of economic growth right now. A dynamic of 5% is underpinned by record-high sentiment, strong wage growth and stable inflation.

Source: GUS, NBP

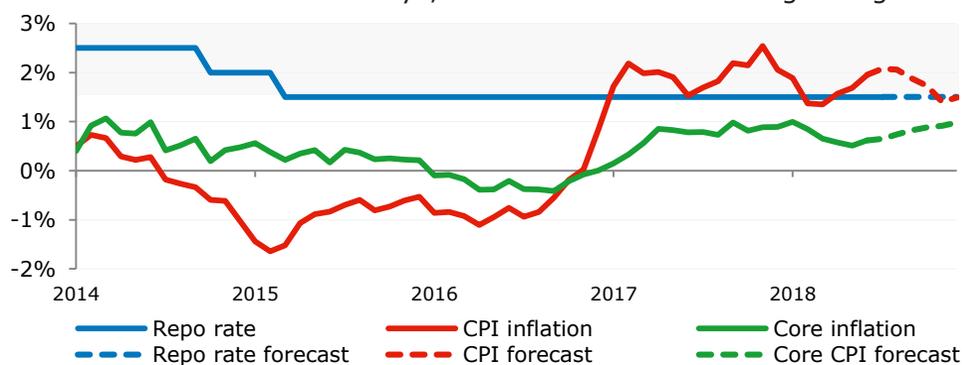
GDP forecast (% YoY)



- Driven by strong consumption and resurgent investment, 2018 GDP growth is set to top 2017's reading of 4.6% and reach 4.9% YoY on average (with upside risks).

Source: GUS

Inflation set to move sideways, but core inflation will be growing



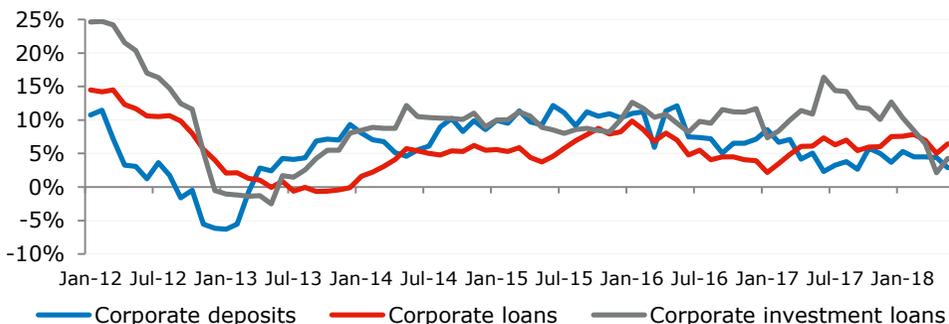
- Inflation set to oscillate within the NBP's target band due to various base effects in food and rising energy prices. There is an uptrend in core inflation. The MPC will stay put for another year at least.

Source: GUS

Macroeconomic Update (2/2)

Rebound in credit growth. PLN assets sold off in Q2/18.

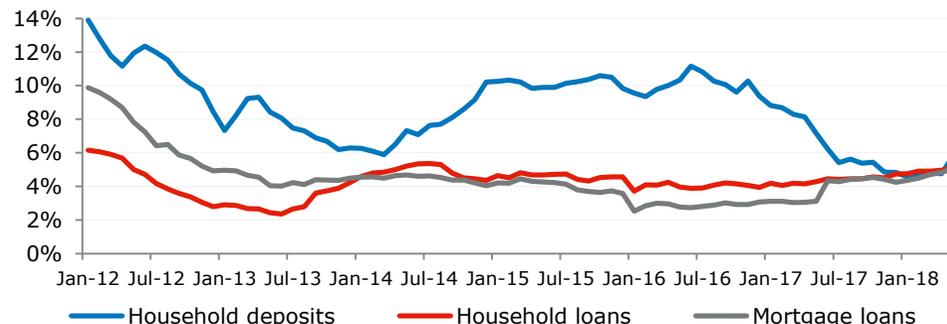
Corporate loans and deposits (% YoY, FX-adjusted)



- Corporate deposits continue to grow at a lacklustre pace, mainly due to downward pressure on liquidity and income from rising material and labour costs. Corporate lending remains uneven.

Source: NBP

Household loans and deposits (% YoY, FX-adjusted)



- Household deposits rebounded sharply as alternative forms of saving lose their shine and nominal income growth remains solid. Mortgage lending is driving the acceleration in household credit.

Source: NBP

Interest rate disparities (v. Germany, in basis points) are up



- With EM assets under significant stress (idiosyncratic problems of some countries like Turkey and Argentina, trade war fears, higher US dollar and commodity prices, perception of slowing global economy), spreads widened in recent months.

PLN weakened considerably in H1/18



- The PLN weakened in Q2/18 due to EM outflows, stronger USD and the persistently dovish MPC. Also, it provides a relief for exporters whose margins came under pressure in 2017.

2018 in forecasts and the impact on mBank Group

Macroeconomic environment and challenges for the banking sector

Key economic indicators

	2016	2017	2018F
GDP growth (YoY)	3.0%	4.6%	4.8%
Domestic demand (YoY)	2.2%	4.7%	5.8%
Private consumption (YoY)	3.9%	4.8%	4.7%
Investment (YoY)	-8.2%	3.4%	9.2%
Inflation (eop)	0.8%	2.1%	1.6%
MPC rate (eop)	1.50	1.50	1.50
CHF/PLN (eop)	4.11	3.57	3.78
EUR/PLN (eop)	4.40	4.18	4.40

Banking sector – monetary aggregates YoY

	2016	2017	2018F
Corporate loans	5.0%	5.9%	13.4%
Mortgage loans	4.8%	-0.1%	7.2%
Non-mortgage loans	5.5%	5.4%	6.5%
Corporate deposits	7.9%	2.4%	11.0%
Retail deposits	9.7%	4.2%	7.2%

Source: mBank's estimates as of 03.07.2018.

Outlook for mBank

Net interest income & NIM (Slightly positive) 

- Continued gradual increase of margin driven by changing structure of loan portfolio (more higher-yielding products)
- No room for further reduction of funding costs

Net Fee & Commission income (Neutral) 

- Constantly rising client transactionality and strong acquisition in both retail and corporate segment
- Lower income from insurance products due to the sale of group insurance business

Total costs (Slightly negative) 

- Business-driven costs to be kept well-contained
- Rising amortisation due to ongoing investments in IT
- Contribution to the BFG to remain stable

Loan Loss Provisions (Slightly negative) 

- Small downside risk due to changing loan book mix
- Potential increase in provisioning due to IFRS 9
- Resilient asset quality supported by good macroeconomic situation and low unemployment

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Consolidated Profit and Loss Account

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

Quarterly results (PLN thou.)	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18
Net interest income	764,779	796,762	825,112	816,424	854,351
Net fee and commission income	252,612	256,514	233,478	268,876	248,977
Dividend income	2,970	142	162	167	2,936
Net trading income	61,068	83,116	72,982	84,493	84,698
<i>incl. FX result</i>	57,912	87,606	67,187	71,427	79,620
Gains less losses from investment securities	-18,298	-5,780	18,505	4,304	1,716
Net other operating income	17,741	18,628	-8,710	206,300	15,512
Total income	1,080,872	1,149,382	1,141,529	1,380,564	1,208,190
Total operating costs	-485,090	-485,880	-494,507	-600,993	-508,654
<i>Overhead costs</i>	-433,494	-432,140	-426,706	-535,161	-449,991
<i>Amortisation</i>	-51,596	-53,740	-67,801	-65,832	-58,663
Loan loss provisions and fair value change ¹	-120,399	-164,422	-139,979	-121,774	-217,065
Operating profit	475,383	499,080	507,043	657,797	482,471
Taxes on the Group balance sheet items	-93,018	-95,521	-95,412	-98,463	-98,287
Result on entities under the equity method	0	192	294	289	299
Profit before income tax	382,365	403,751	411,925	559,623	384,483
Net profit attributable to owners of mBank	269,700	291,414	311,638	411,000	287,435

¹ Sum of 'Impairment on financial assets not measured at fair value through profit or loss' and 'Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss'

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Selected Financial Data Consolidated Statement of Financial Position

Summary
Profit & Loss
Balance Sheet
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Subsidiaries
Historical view

Assets (PLN thou.)	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18
Cash and balances with Central Bank	5,855,425	6,028,470	7,384,869	5,354,319	5,514,886
Loans and advances to banks	2,259,136	2,403,911	1,707,722	3,811,337	3,786,979
Trading securities	3,296,641	1,990,360	1,525,382	3,162,933	3,444,954
Derivative financial instruments	1,325,089	1,348,821	1,236,303	1,137,925	1,189,919
Loans and advances to customers	83,377,025	85,531,969	84,475,844	85,663,383	89,601,410
Investment securities	30,469,641	32,448,706	32,144,699	31,655,013	33,388,424
Intangible assets	627,900	636,272	710,642	692,258	703,524
Tangible fixed assets	711,925	701,845	758,738	730,463	715,542
Other assets	1,494,709	1,387,672	1,479,820	1,432,585	1,672,155
Total assets	129,417,491	132,478,026	131,424,019	133,640,216	140,017,793
Liabilities (PLN thou.)	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18
Amounts due to banks	8,641,320	8,451,809	5,073,351	4,475,332	4,548,768
Derivative financial instruments	1,114,492	1,014,022	1,095,365	900,830	1,110,810
Customer deposits	88,155,911	90,677,502	91,496,027	94,308,572	97,794,387
Debt securities in issue	13,011,687	13,685,190	14,322,852	14,414,161	16,817,711
Subordinated liabilities	2,232,839	2,204,523	2,158,143	2,157,269	2,206,733
Other liabilities	2,580,807	2,477,518	2,986,725	2,897,717	3,018,770
Total liabilities	115,737,056	118,510,564	117,132,463	119,153,881	125,497,179
Total equity	13,680,435	13,967,462	14,291,556	14,486,335	14,520,614
Total liabilities and equity	129,417,491	132,478,026	131,424,019	133,640,216	140,017,793

Appendix

Selected Financial Data mBank Group's Ratios

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

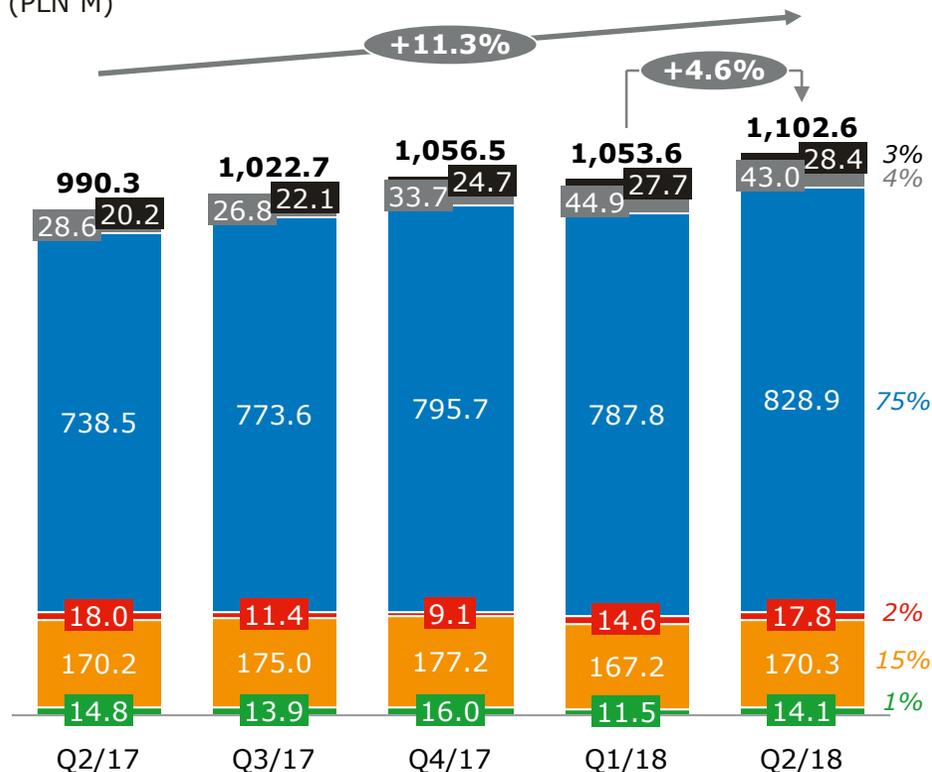
Financial Ratios	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18
Net Interest Margin (<i>quarterly</i>)	2.43%	2.50%	2.57%	2.59%	2.56%
Net Interest Margin YtD	2.42%	2.45%	2.48%	2.59%	2.57%
Net Interest Margin YtD (excl. CHF portfolio)	2.76%	2.79%	2.81%	2.89%	2.86%
Cost to Income Ratio (<i>quarterly</i>)	44.9%	42.3%	43.3%	43.5%	42.1%
Cost to Income Ratio YtD	49.1%	46.8%	45.9%	43.5%	42.9%
Cost of Risk (<i>quarterly</i>)	0.58%	0.78%	0.66%	0.57%	0.99%
Cost of Risk YtD	0.49%	0.59%	0.61%	0.57%	0.78%
ROE net (<i>quarterly</i>)	8.23%	8.77%	9.36%	11.90%	8.33%
ROE net YtD	7.53%	7.95%	8.31%	11.90%	10.12%
ROA net (<i>quarterly</i>)	0.83%	0.89%	0.94%	1.26%	0.83%
ROA net YtD	0.75%	0.80%	0.83%	1.26%	1.04%
Loan-to-Deposit Ratio	94.6%	94.3%	92.3%	90.8%	91.6%
Total Capital Ratio	21.24%	20.47%	20.99%	20.93%	20.06%
Tier 1 Capital Ratio	18.47%	17.83%	18.31%	17.87%	17.10%
Equity / Assets	10.6%	10.5%	10.9%	10.8%	10.4%
TREA / Assets	51.1%	52.2%	51.8%	52.5%	53.0%
NPL ratio	5.0%	5.2%	5.2%	5.1%	5.2%
NPL coverage ratio	60.2%	59.1%	59.2%	57.7%	60.4%
NPL coverage ratio incl. general provisions	65.5%	64.5%	64.6%	67.1%	70.0%

Appendix

Selected Financial Data Profit and Loss Account: Net Interest Income

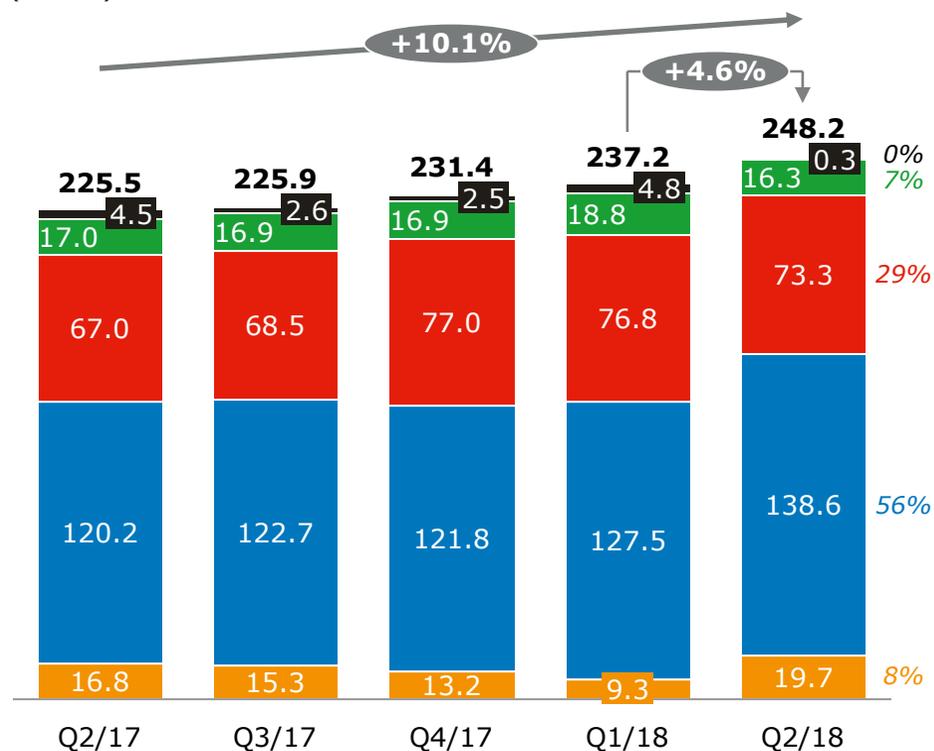
Summary
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Interest Income Structure
(PLN M)



- Cash and short-term deposits
- Investment securities
- Debt securities held for trading
- Loans and advances
- Derivatives classified into banking book
- Other

Interest Expense Structure
(PLN M)



- Amounts due to banks
- Issue of debt securities
- Amounts due to customers
- Subordinated liabilities
- Other

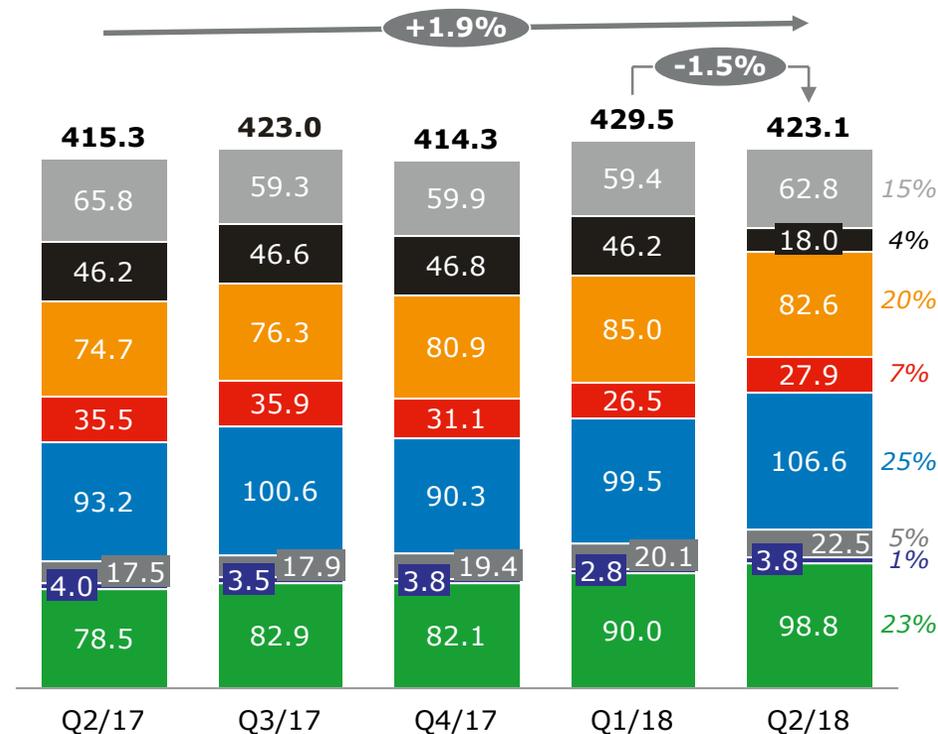
Appendix

Selected Financial Data

Profit and Loss Account: Net Fee and Commission Income

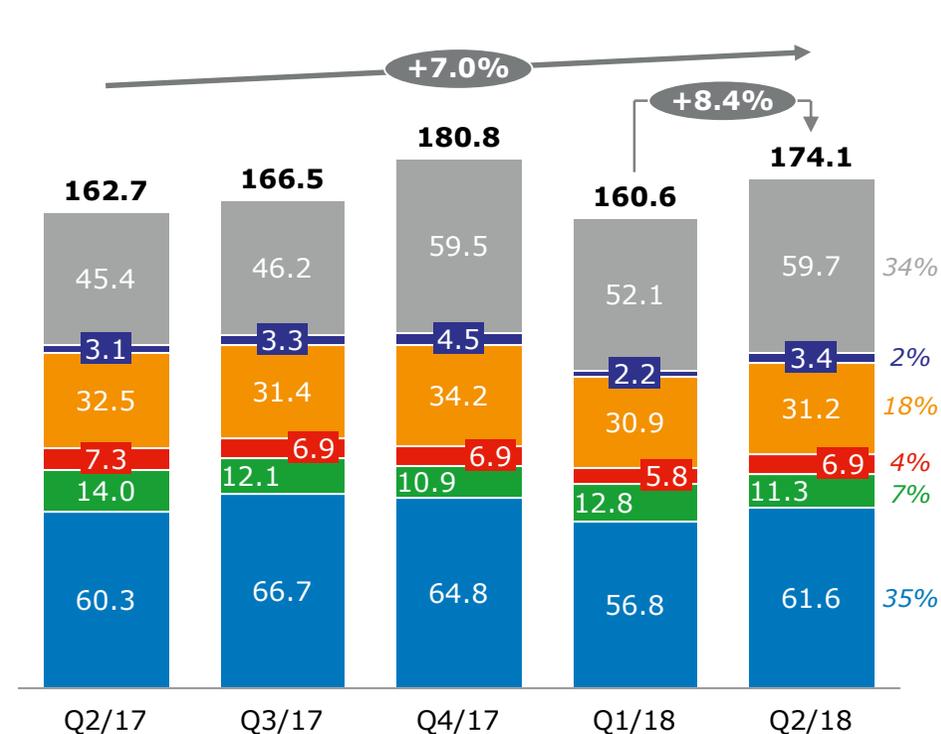
Summary
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Fee and Commission Income Structure (PLN M)



- Credit related fees
- Portfolio management
- Guarantees and trade finance
- Payment card fees
- Brokerage activity & securities issue
- Accounts & money transfers
- Insurance activity
- Other (incl. custody)

Fee and Commission Expense Structure (PLN M)



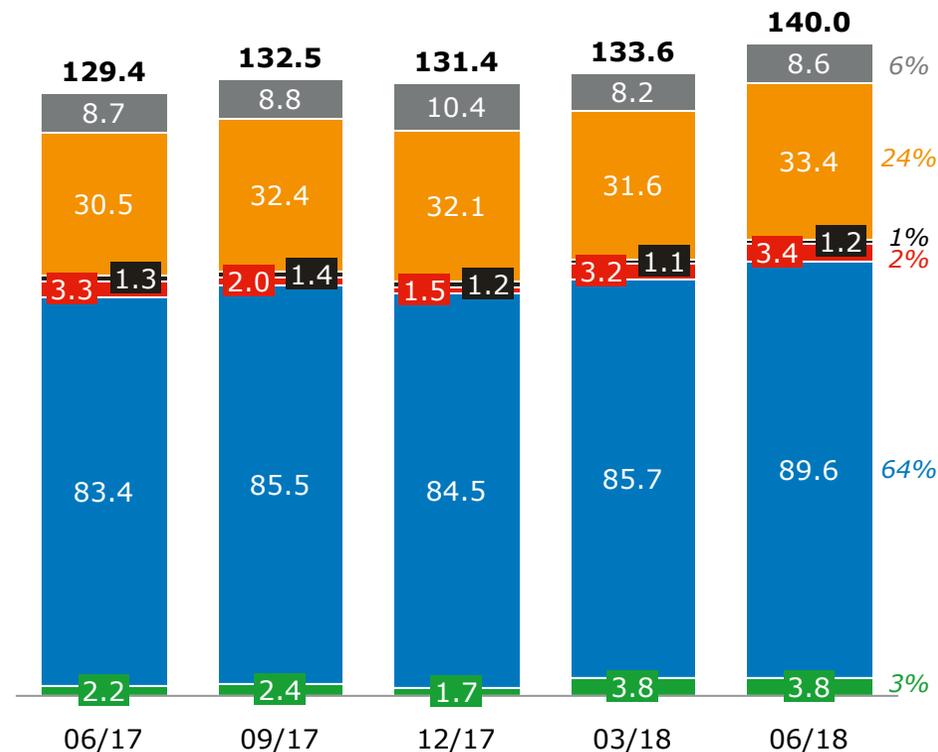
- Payment card fees
- Cash handling fees
- Discharged brokerage fees
- Commissions paid to external entities
- Fees paid to NBP and KIR
- Other (incl. insurance activity)

Appendix

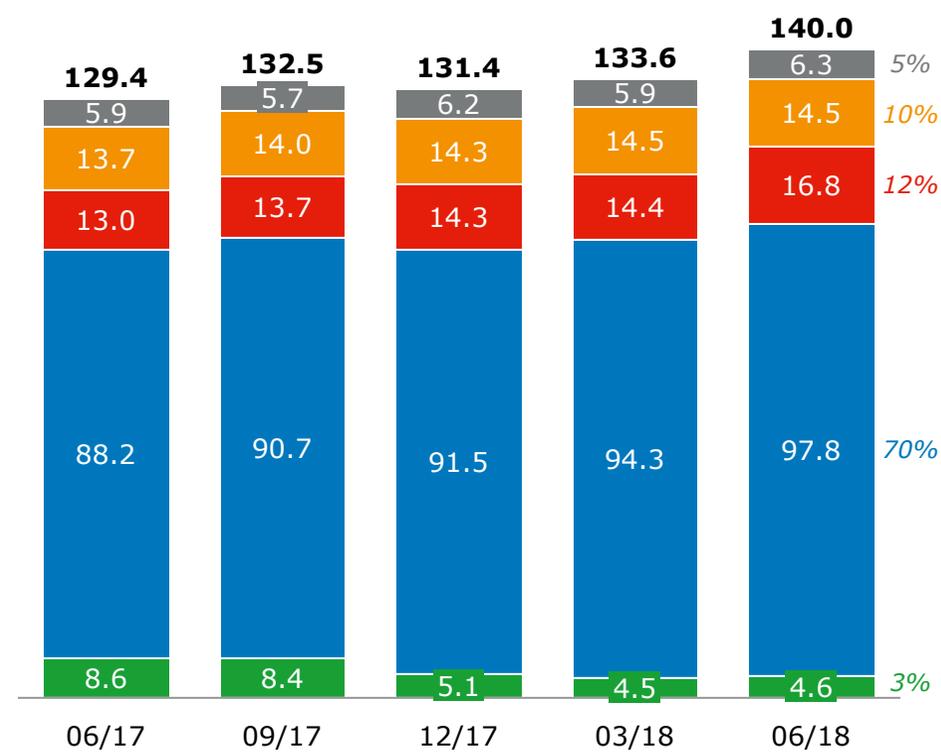
Selected Financial Data Balance Sheet Analysis: Assets & Liabilities

Summary
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Historical view

Structure of Assets
(PLN B)



Structure of Liabilities and Equity
(PLN B)



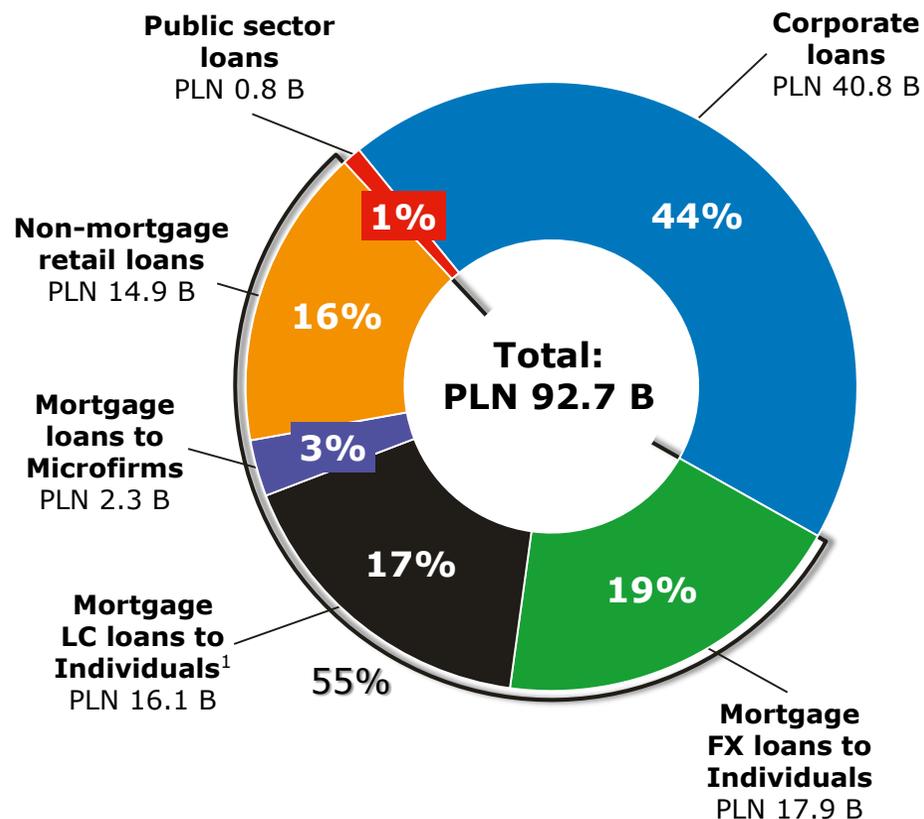
Appendix

Selected Financial Data

Balance Sheet Analysis: Structure of Loans and Deposits

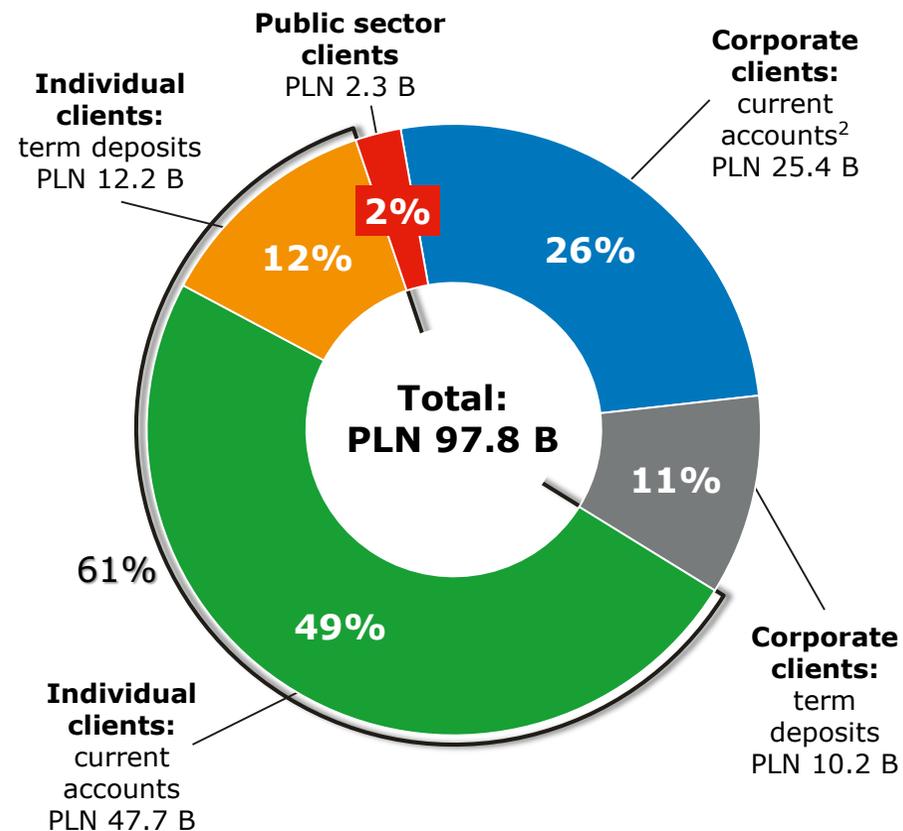
Summary
Profit & Loss
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Structure of mBank Group's Gross Loans as of 30.06.2018



¹ Including local currency mortgage loans granted in Poland, the Czech Republic and Slovakia

Structure of mBank Group's Deposits as of 30.06.2018



² Including repo transactions, loans and advances received, other liabilities

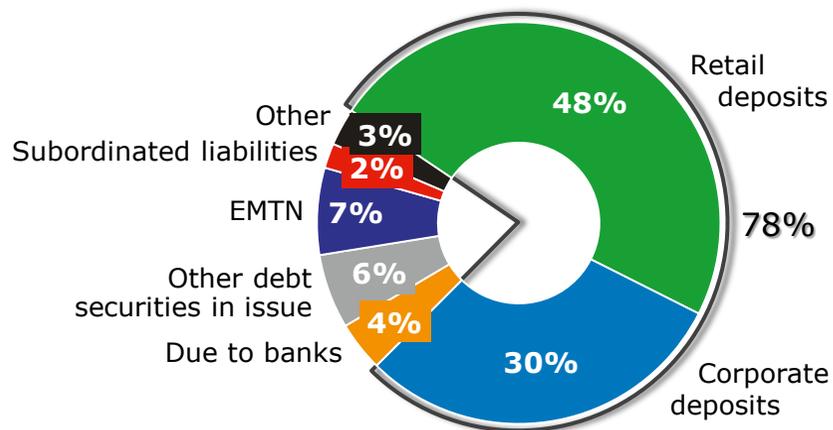
Appendix

Selected Financial Data

Balance Sheet Analysis: Funding Structure and Liquidity Levels

Summary
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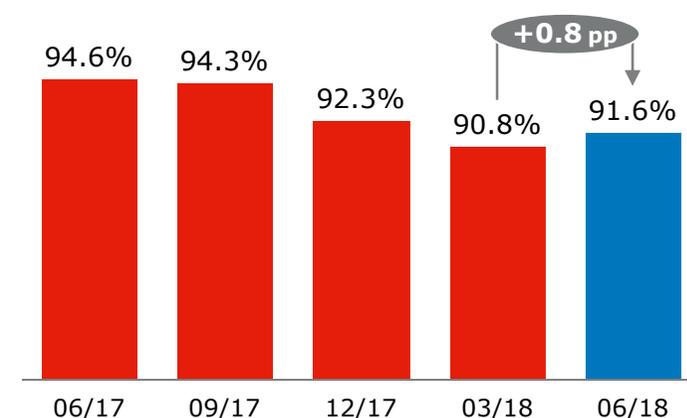
mBank Group's Funding Structure as of 30.06.2018



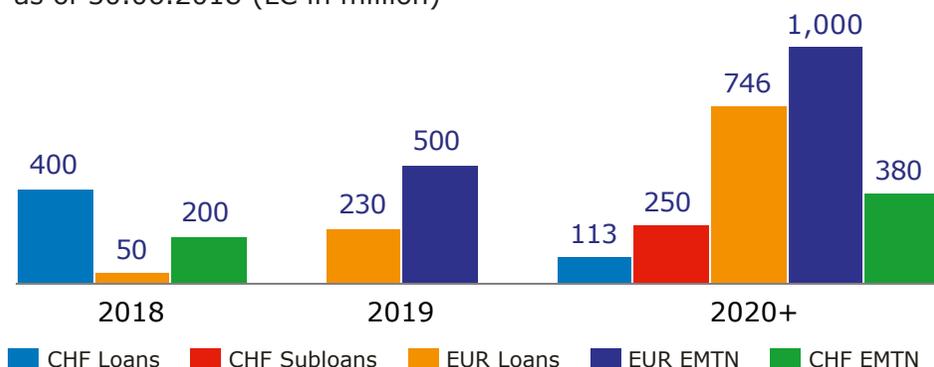
mBank's ratings

Fitch	
Long-term rating	BBB
Short-term rating	F2
Standard & Poor's	
Long-term credit rating	BBB+
Short-term credit rating	A-2

Loan-to-Deposit Ratio



Maturity of long-term funding instruments in original currencies as of 30.06.2018 (LC in million)



Summary of Issues under Euro Medium Term Note (EMTN) Programme

Issue size	Issue date	Maturity date	Tenor	Coupon
CHF 200 M	08-10-2013	08-10-2018	5.0 Y	2.500%
EUR 500 M	01-04-2014	01-04-2019	5.0 Y	2.375%
EUR 500 M	26-11-2014	26-11-2021	7.0 Y	2.000%
EUR 500 M	26-09-2016	26-09-2020	4.0 Y	1.398%
CHF 200 M	28-03-2017	28-03-2023	6.0 Y	1.005%
CHF 180 M	07-06-2018	07-06-2022	4.0 Y	0.565%

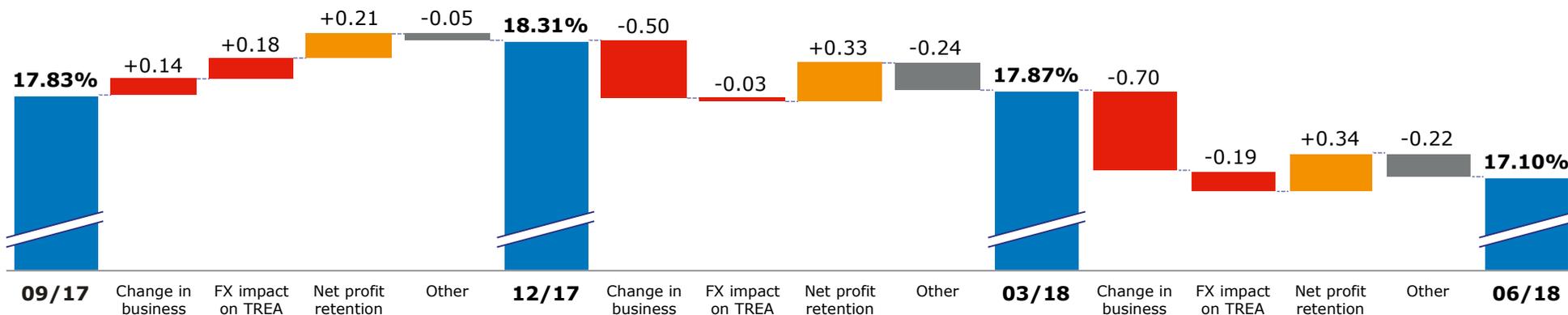
Appendix

Selected Financial Data

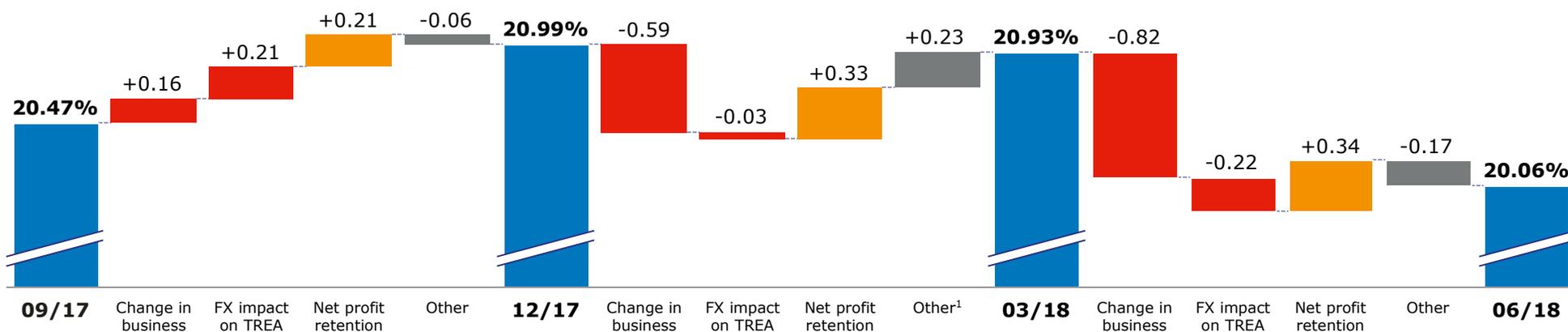
Balance Sheet Analysis: Detailed Development of Capital Ratios

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mBank Group's Tier 1 Capital Ratio



mBank Group's Total Capital Ratio



¹ Inclusion of funds from subordinated loan in Tier 2 instruments;

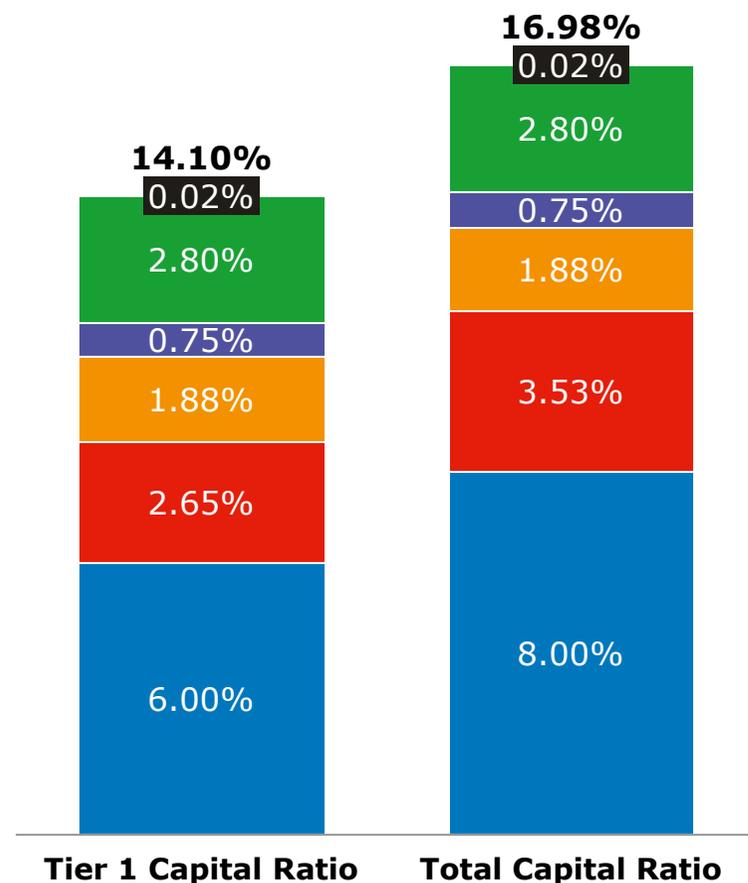
Appendix

Selected Financial Data

Balance Sheet Analysis: Details of Capital Requirements

Summary
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Regulatory capital requirements for mBank Group as of 30.06.2018



- Countercyclical Capital Buffer** is calculated as the weighted average of the countercyclical buffer rates that apply in the countries where the relevant credit exposures of the Group are located.
- Systemic Risk Buffer** determined at 3.0% in Poland entering into force from 01.01.2018; it replaced the previous Polish FSA add-on; for mBank it applies only to domestic exposures.
- Other Systemically Important Institution (O-SII) Buffer** imposed by an administrative decision of the PFSA, in which mBank has been identified as other systemically important institution; its level is reviewed annually.
- Conservation Capital Buffer** is equal for all banks in Poland as introduced by the Act on Macroprudential Supervision Over the Financial System and Crisis Management in the Financial System; the implementation is gradual and it was raised to from 1.25% to 1.875% from 01.01.2018 and to 2.5% from 01.01.2019.
- Individual additional Pillar 2 capital requirement for risk related to FX retail mortgage loans** imposed as a result of risk assessment carried out by the PFSA within the supervisory review and evaluation process ("SREP"); its level is reviewed annually.
- CRR Regulation minimum level** based on Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

Detailed Results of the Business Lines in Q2/18

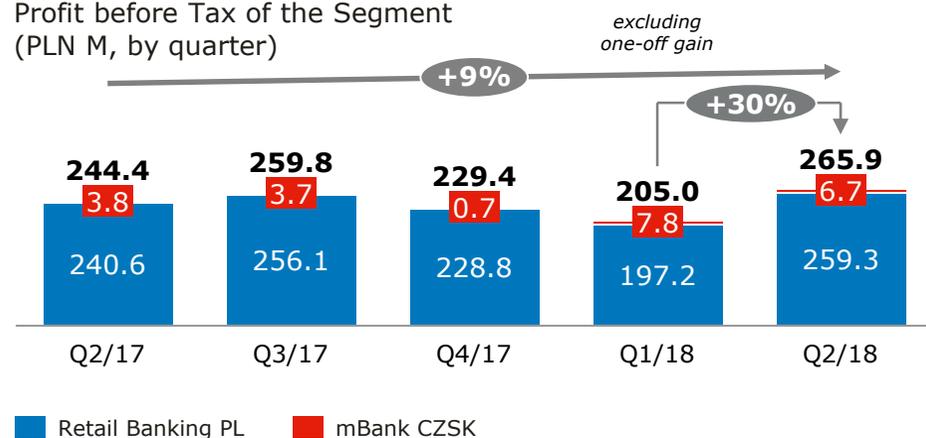
Retail Banking

Appendix

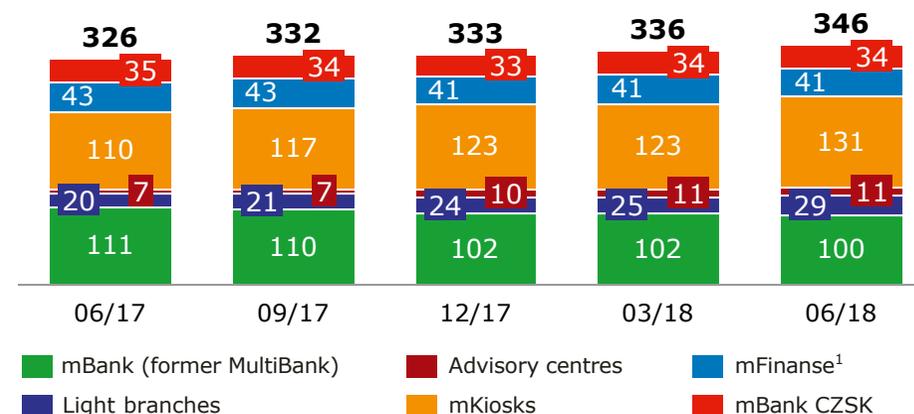
Retail Banking Summary of Q2/18: Financial and Business Results

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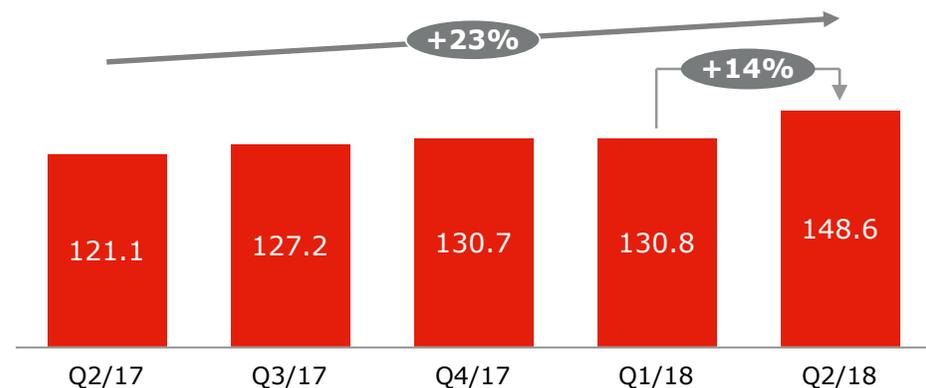
Profit before Tax of the Segment
(PLN M, by quarter)



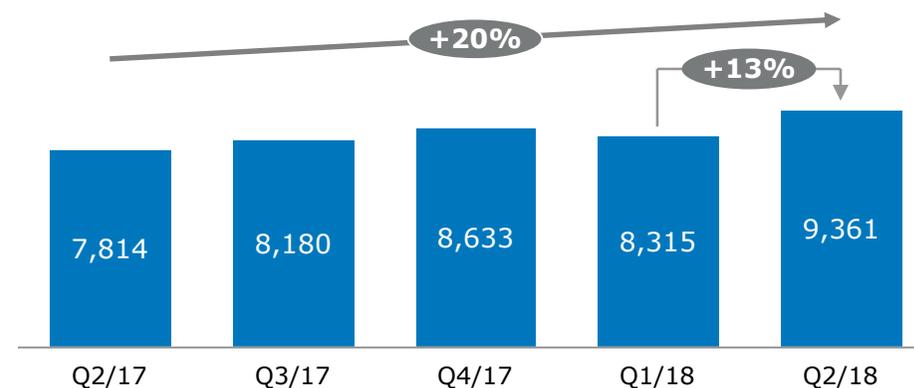
Number of Retail Service Locations



Number of non-cash transactions with payment cards
(M, by quarter)



Value of non-cash transactions with payment cards
(PLN M, by quarter)



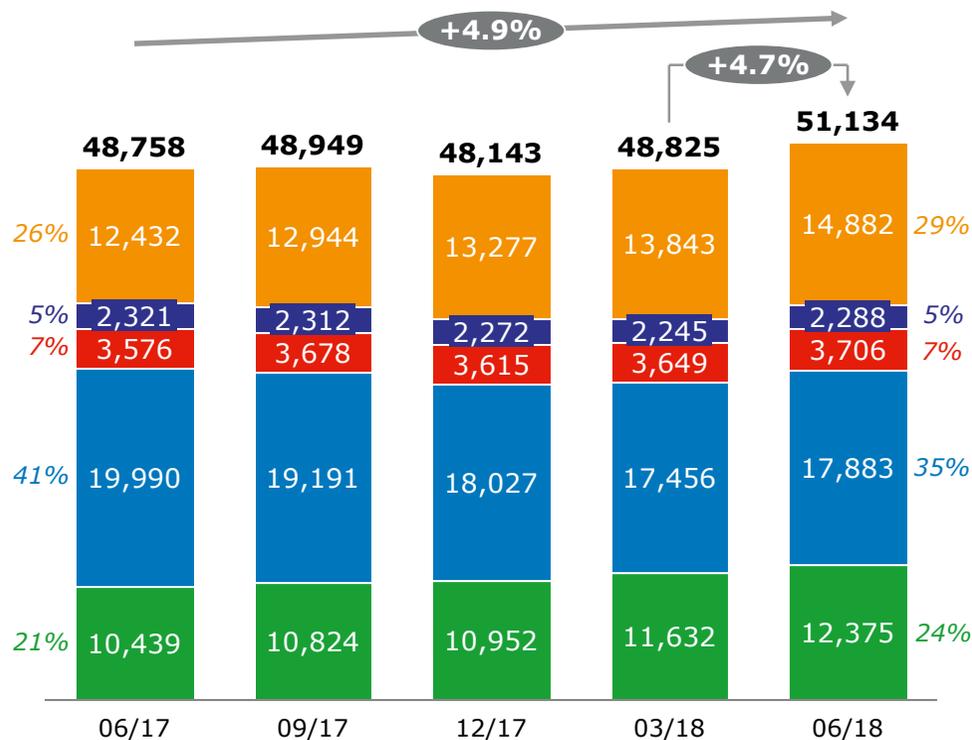
¹ Including financial centres and agency service points

Appendix

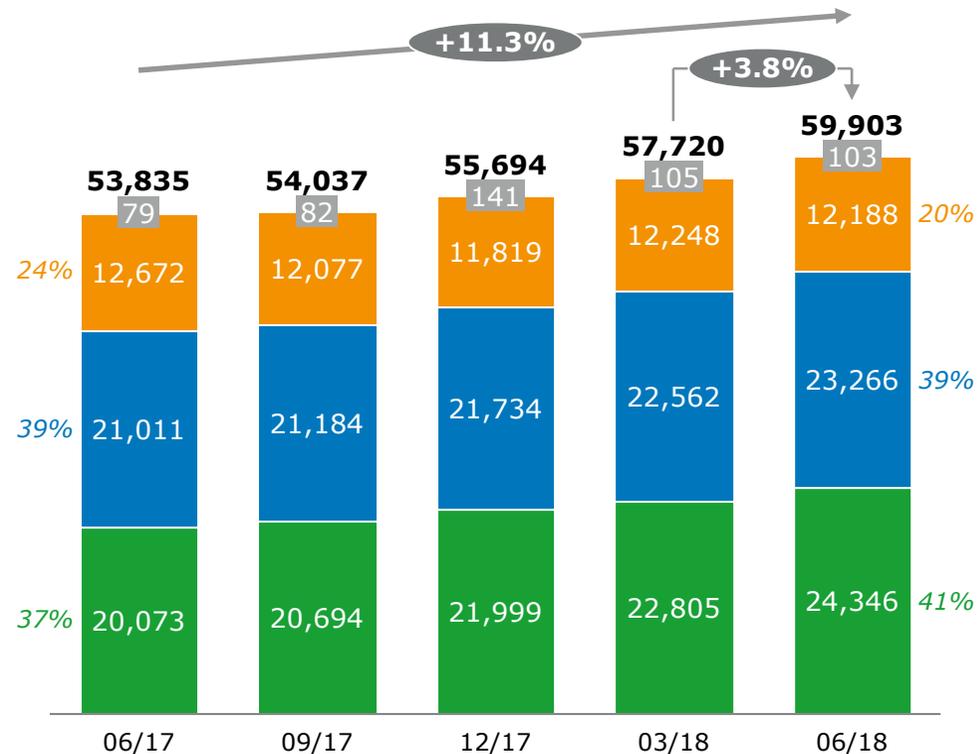
Retail Banking Summary of Q2/18: Loans and Deposits

Summary
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Gross Loans to Retail Banking Clients¹
(PLN M)



Deposits from Retail Banking Clients
(PLN M)



- PLN mortgage loans to Individuals
- FX mortgage loans to Individuals granted in PL
- Mortgage loans granted in CZSK
- Mortgage loans to Microfirms
- Non-mortgage loans

- Current accounts
- Saving accounts
- Term deposits
- Other

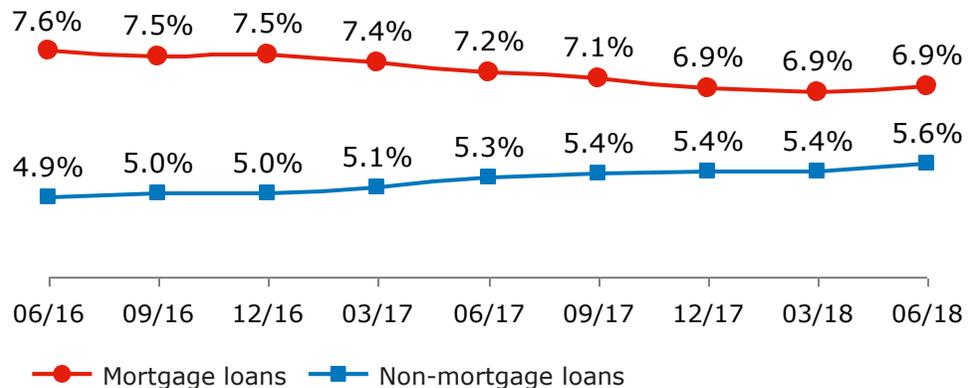
¹ Currency and geographical breakdown based on management information

Appendix

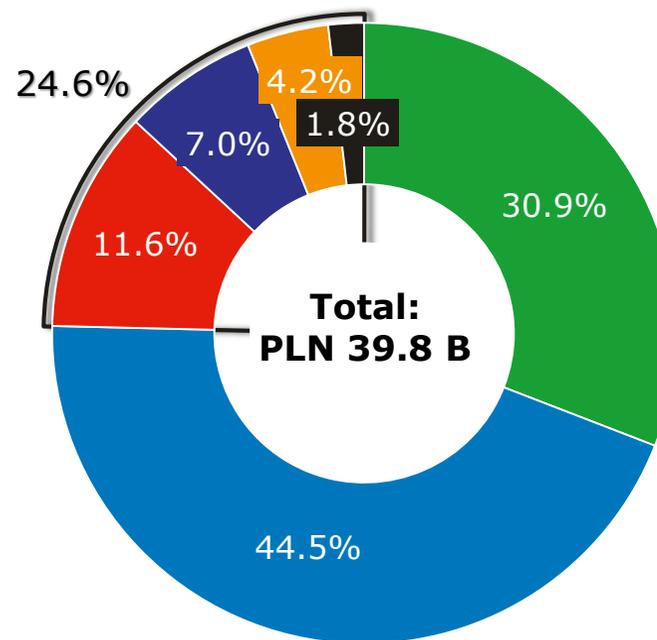
Retail Banking Loan Portfolio Structure of mBank Group in Poland

- Summary
- Profit & Loss
- Balance Sheet
- Business Lines**
- Subsidiaries
- Historical view

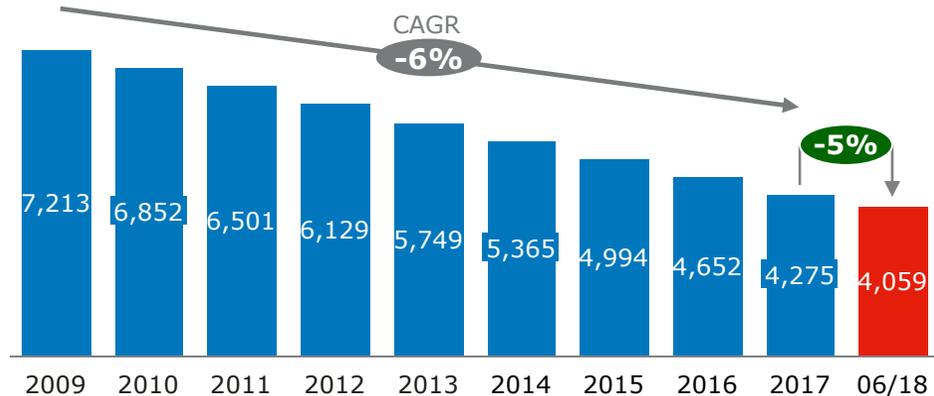
Market Shares in Household Loans in Poland



Product Structure of Retail Banking Loan Portfolio in Poland as of 30.06.2018



mBank's Gross CHF Loan Portfolio to Retail Clients (CHF M)



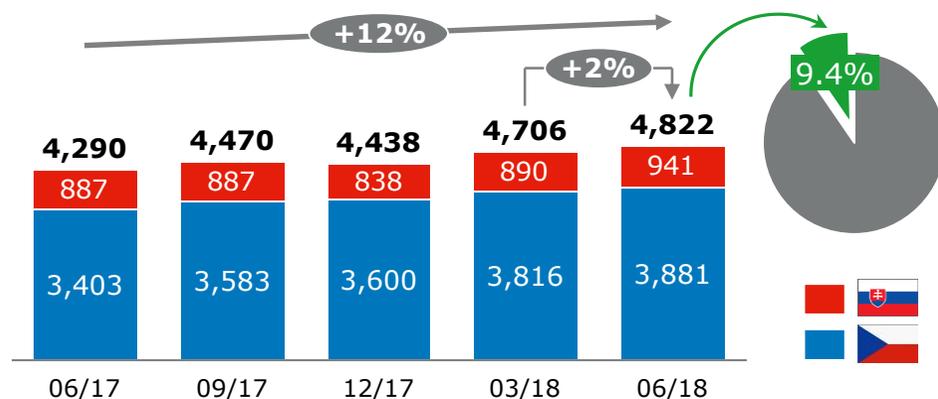
- PLN Mortgage loans
- Cash loans
- Credit cards
- FX Mortgage loans
- Credit lines
- Other

Appendix

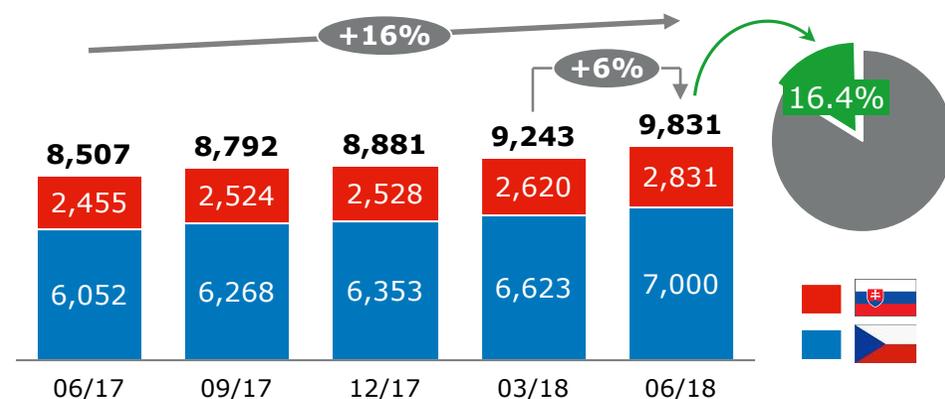
Retail Banking mBank in the Czech Republic and Slovakia

Summary
Profit & Loss
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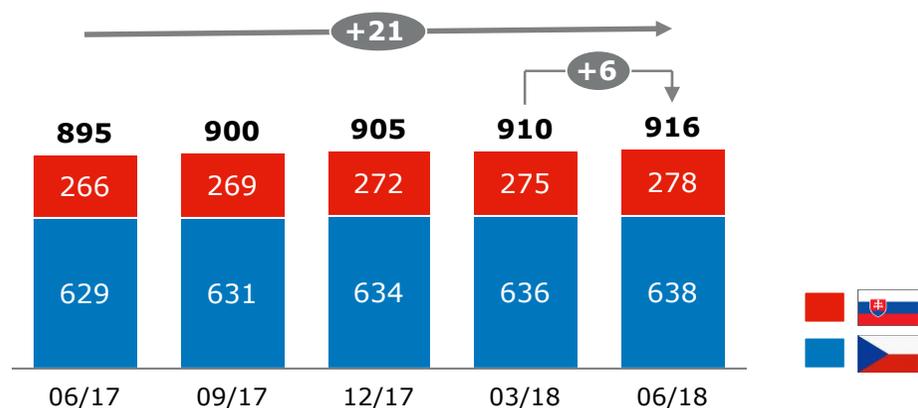
Gross Loans (PLN M) and Share in Total mBank's retail volume



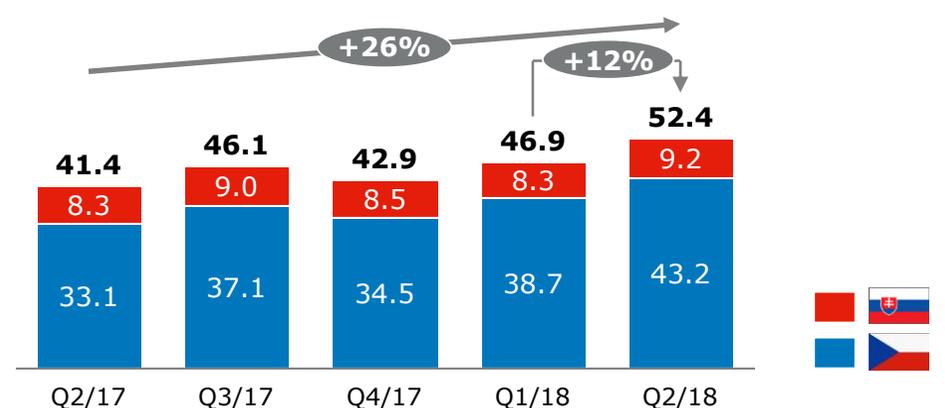
Deposits (PLN M) and Share in Total mBank's retail volume



Number of clients (thou.)



Total revenues (PLN M)



Note: Volumes based on management information.

Appendix

Retail Banking mBank in the Czech Republic and Slovakia

Summary
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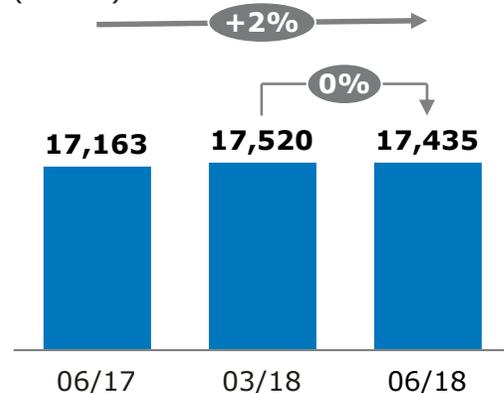


Czech Republic

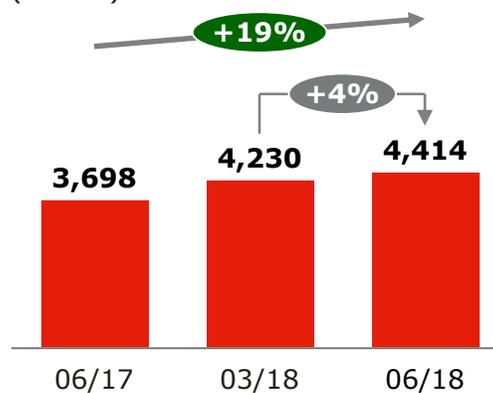
Clients:
638.3 thou.

5 light branches,
6 financial centres &
13 mKiosks

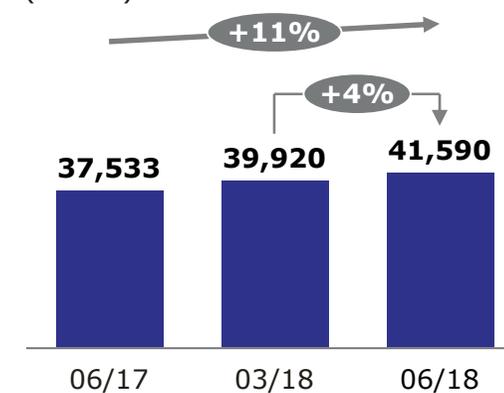
Mortgage Loans
(CZK M)



Non-mortgage Loans
(CZK M)



Customer deposits
(CZK M)

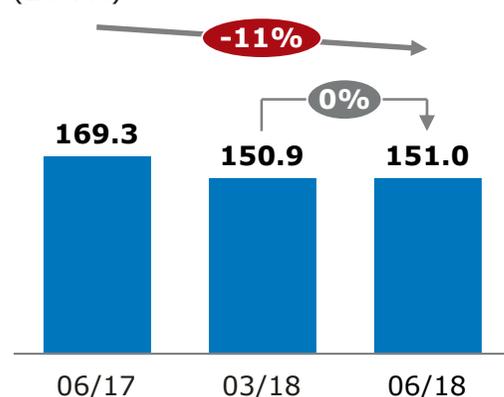


Slovakia

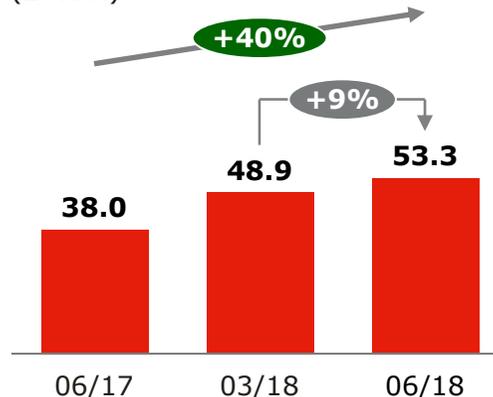
Clients:
277.9 thou.

2 light branches,
3 financial centres &
5 mKiosks

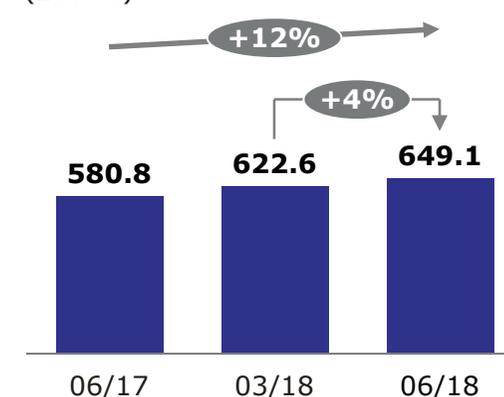
Mortgage Loans
(EUR M)



Non-mortgage Loans
(EUR M)



Customer deposits
(EUR M)



Note: Volumes based on management information.

Detailed Results of the Business Lines in Q2/18

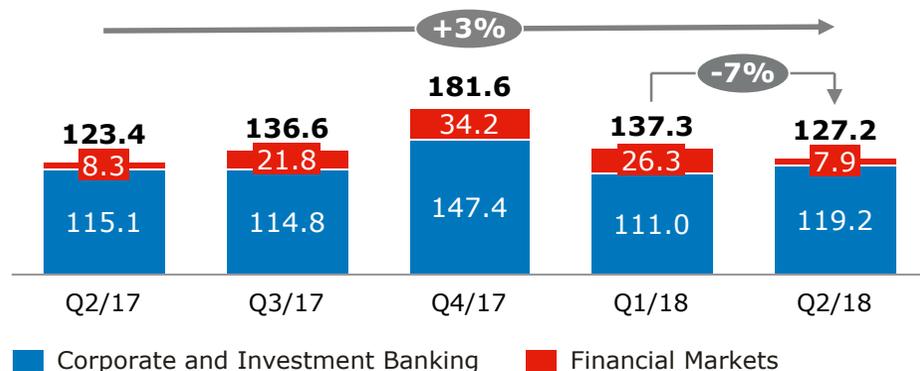
Corporates & Financial Markets

Appendix

Corporates and Financial Markets Summary of Q2/18: Financial and Business Results

Summary
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Profit before Tax of the Segment
(PLN M, by quarter)

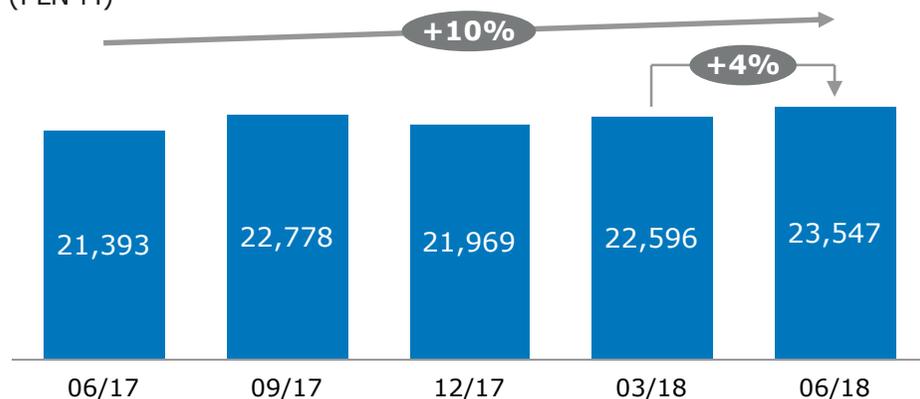


Number of Corporate Service Locations

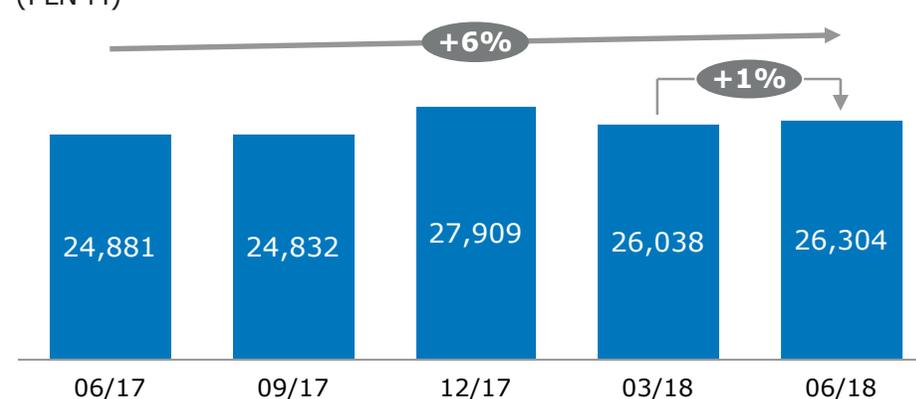
- 29 mBank's branches, incl. 10 advisory centres
- 17 mBank's offices, incl. 1 advisory centre
- 21 mLeasing
- 8 mFaktoring
- 5 mBank Hipoteczny



Loans to enterprises¹
(PLN M)



Deposits of enterprises¹
(PLN M)



¹ Corporate loan and deposit volumes (for mBank only) according to NBP rules (monetary reporting system – MONREP)

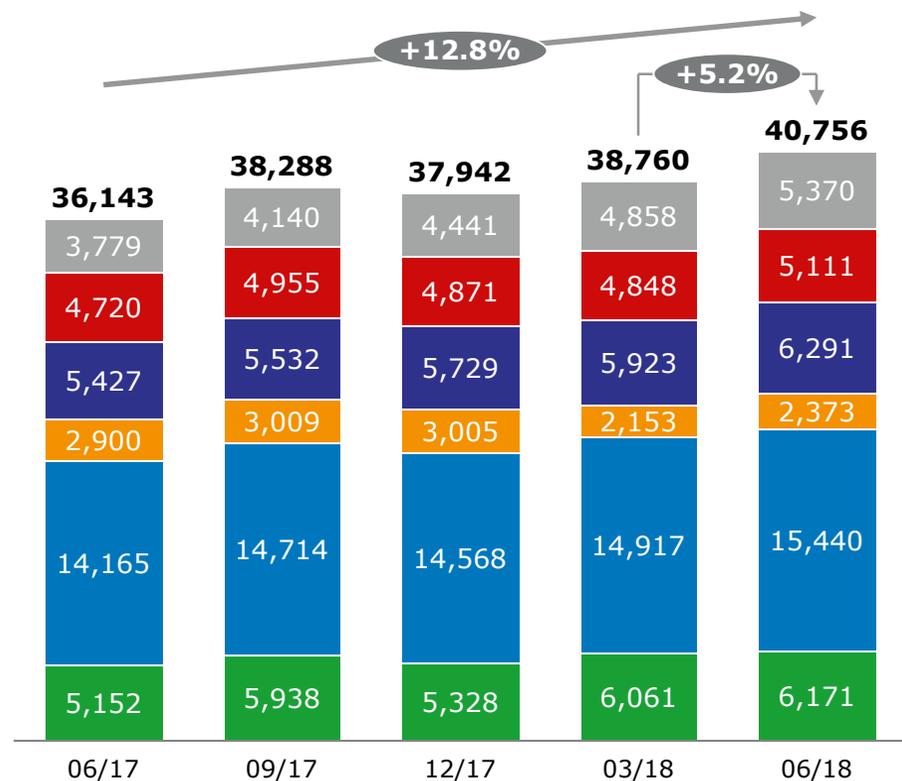
Appendix

Corporates and Financial Markets Summary of Q2/18: Loans and Deposits

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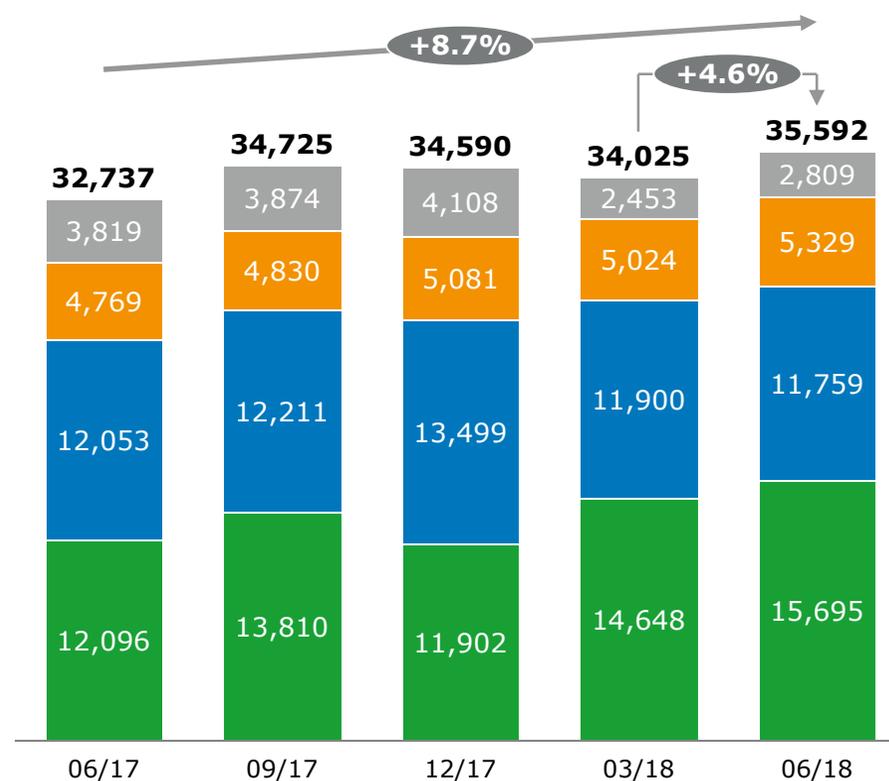
Gross Loans to Corporate Entities
(PLN M)

Resegmentation
starting from 2018



Deposits from Corporate Customers
(PLN M)

Resegmentation
starting from 2018



Legend: K1 (Green), K2 (Blue), K3 (Orange), mLeasing (Dark Blue), mBank Hipoteczny (Red), Other (Grey)

Legend: K1 (Green), K2 (Blue), K3 (Orange), Other (Grey)

Note: Corporate clients split: K1 – annual sales over PLN 1 B and non-banking financial institutions; K2 – annual sales of PLN 50 M to PLN 1 B; K3 – annual sales below 50 M and full accounting.

Detailed Results of mBank Group's companies in Q2/18

Subsidiaries

Appendix

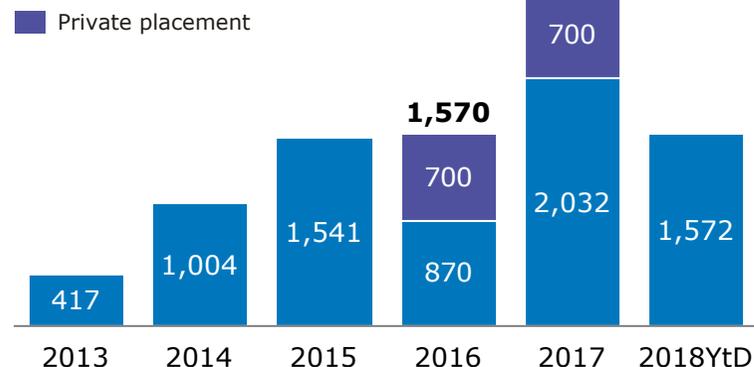
mBank Group's Subsidiaries mBank Hipoteczny (mBH)

Summary
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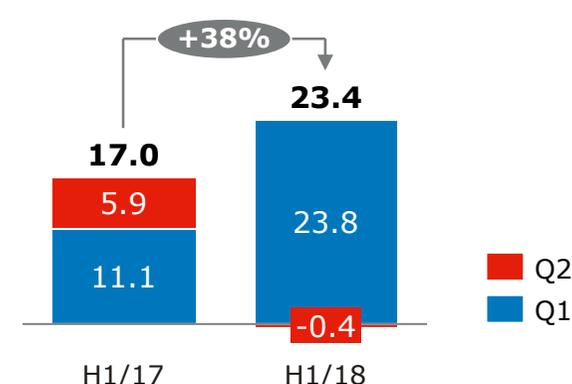
m Bank Hipoteczny
 established in 1999
 specialised mortgage bank and active issuer of covered bonds in the Polish market

- Public sector loans and other receivables
- Housing loans to individual customers (incl. new sales and pooling transactions)
- Commercial loans

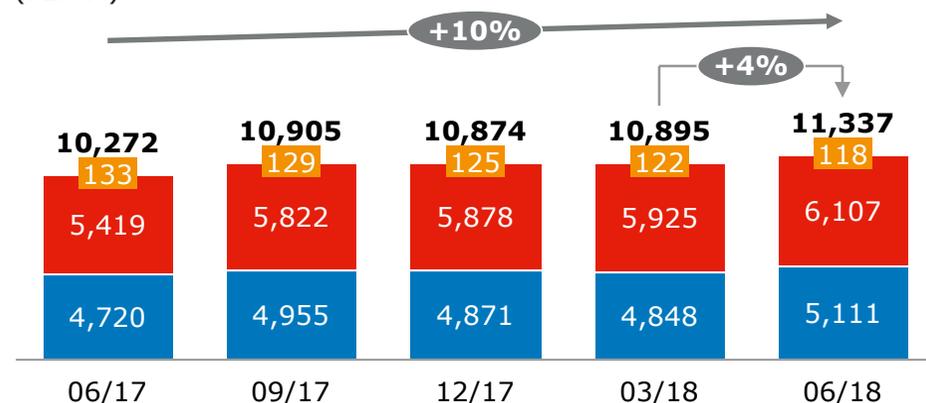
Issuance of Covered Bonds (PLN M, by year)



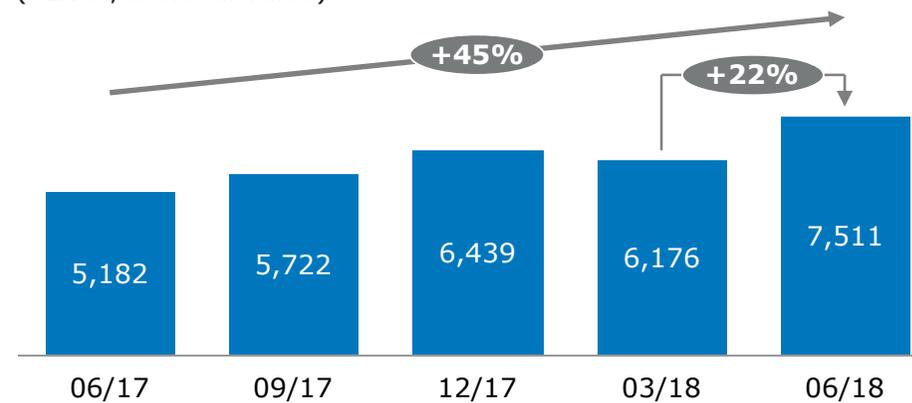
Profit before Income Tax (PLN M)



Gross loans and advances to customers (PLN M)



Outstanding amount of Covered Bonds issued (PLN M, nominal value)



Appendix

mBank Group's Subsidiaries

mBank Hipoteczny (mBH): Issuance Activity on the Covered Bonds Market

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Summary of Mortgage Covered Bonds issued in 2014-2018 (public issues)

Amount	Currency	Issue date	Maturity date	Tenor (years)	Coupon
8.0 M	EUR	28-02-2014	28-02-2029	15.0	Fixed (3.50%)
15.0 M	EUR	17-03-2014	15-03-2029	15.0	Fixed (3.50%)
20.0 M	EUR	30-05-2014	30-05-2029	15.0	Fixed (3.20%)
300.0 M	PLN	28-07-2014	28-07-2022	8.0	WIBOR 6M + 93bps
200.0 M	PLN	04-08-2014	20-02-2023	8.5	WIBOR 6M + 93bps
20.0 M	EUR	22-10-2014	22-10-2018	4.0	Fixed (1.115%)
50.0 M	EUR	28-11-2014	15-10-2019	4.9	EURIBOR 3M + 87bps
200.0 M	PLN	20-02-2015	28-04-2022	7.2	WIBOR 6M + 78bps
20.0 M	EUR	25-02-2015	25-02-2022	7.0	Fixed (1.135%)
250.0 M	PLN	15-04-2015	16-10-2023	8.5	WIBOR 6M + 87bps
11.0 M	EUR	24-04-2015	24-04-2025	10.0	Fixed (1.285%)
50.0 M	EUR	24-06-2015	24-06-2020	5.0	EURIBOR 3M + 69bps
500.0 M	PLN	17-09-2015	10-09-2020	5.0	WIBOR 3M + 110bps
255.0 M	PLN	02-12-2015	20-09-2021	5.8	WIBOR 3M + 115bps
300.0 M	PLN	09-03-2016	05-03-2021	5.0	WIBOR 3M + 120bps
50.0 M	EUR	23-03-2016	21-06-2021	5.2	EURIBOR 3M + 87bps
50.0 M	PLN	28-04-2016	28-04-2020	4.0	Fixed (2.91%)
100.0 M	PLN	11-05-2016	28-04-2020	4.0	Fixed (2.91%)
13.0 M	EUR	28-09-2016	20-09-2026	10.0	Fixed (1.18%)
35.0 M	EUR	26-10-2016	20-09-2026	9.9	Fixed (1.183%)
24.9 M	EUR	01-02-2017	01-02-2024	7.0	Fixed (0.94%)
500.0 M	PLN	29-09-2017	10-09-2022	5.0	WIBOR 3M + 75bps
1,000.0 M	PLN	11-10-2017	15-09-2023	5.9	WIBOR 3M + 82bps
100.0 M	EUR	30-10-2017	22-06-2022	4.6	Fixed (0.612%)
300.0 M	EUR	26-04-2018	05-03-2025	6.9	Fixed (1.073%)
300.0 M	PLN	22-06-2018	10-06-2024	6.0	WIBOR 3M + 58bps

Appendix

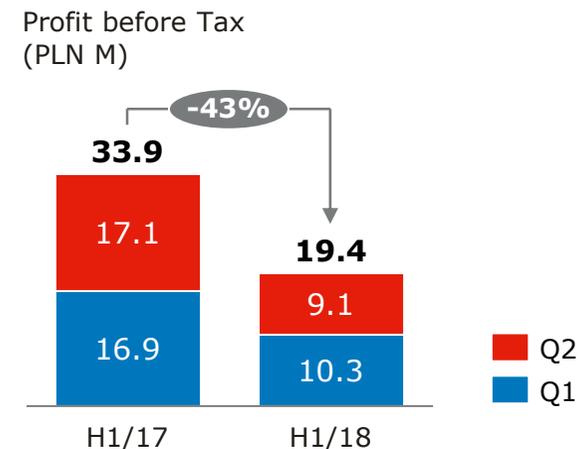
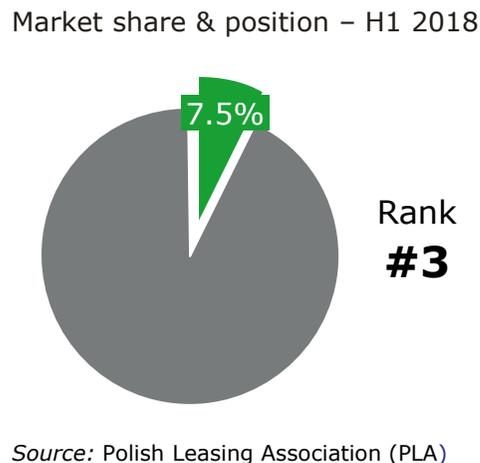
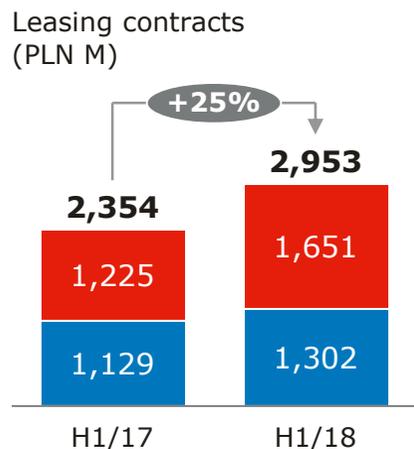
mBank Group's Subsidiaries Leasing and Factoring

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m Leasing

established in 1991

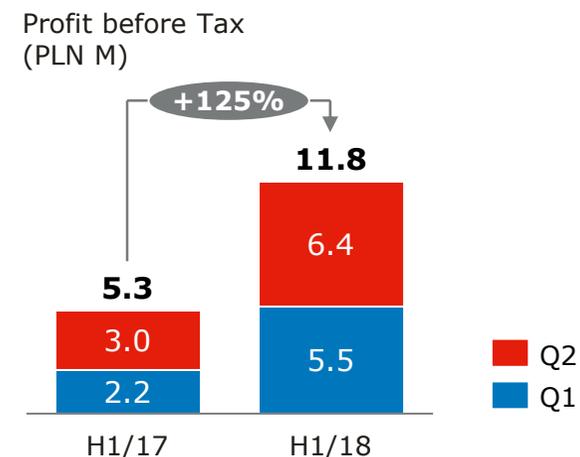
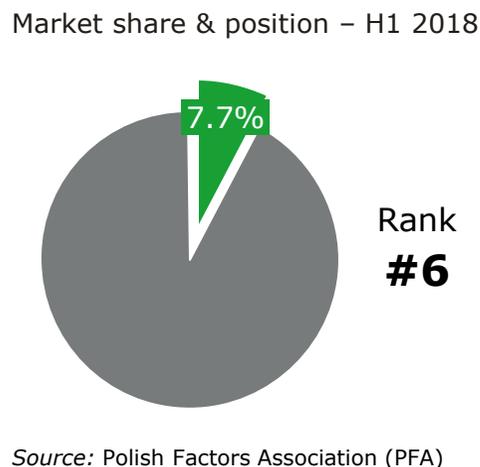
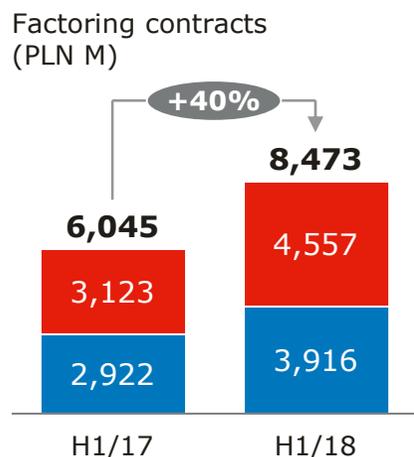
provides financial and operating leasing of cars, trucks, machinery and real estate



m Faktoring

established in 1995

offers factoring services, incl. domestic and export recourse and non-recourse factoring and import guarantees

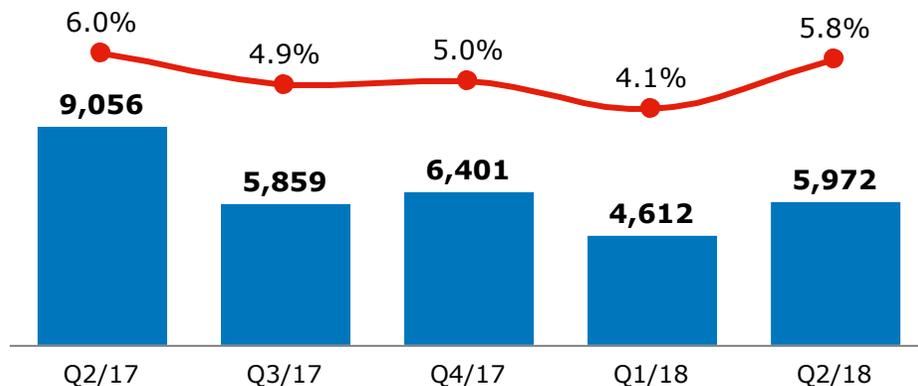


Appendix

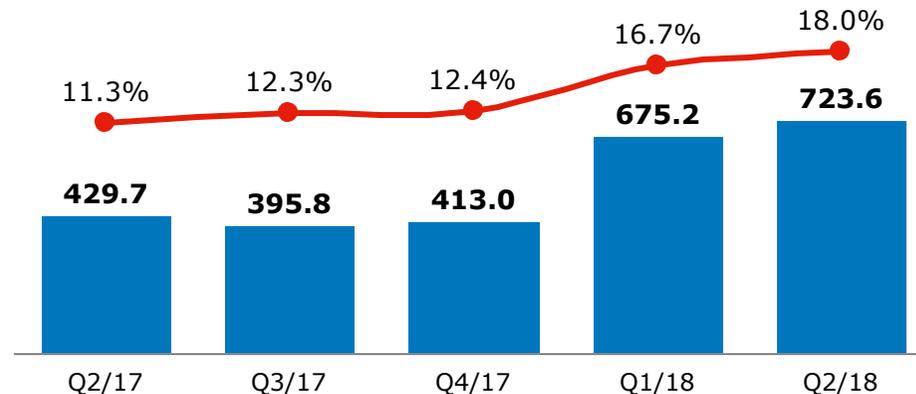
mBank Group's Brokerage Services mBank Dom Maklerski (mDM)

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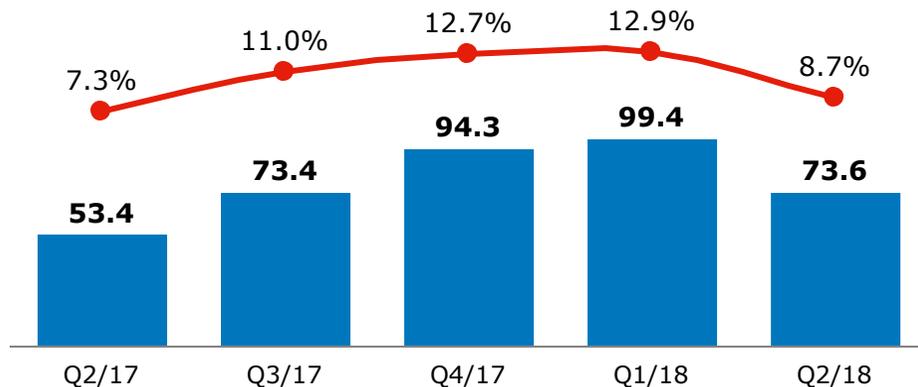
mDM Equities Trading on WSE and Market Share in Turnover (PLN M, by quarter)



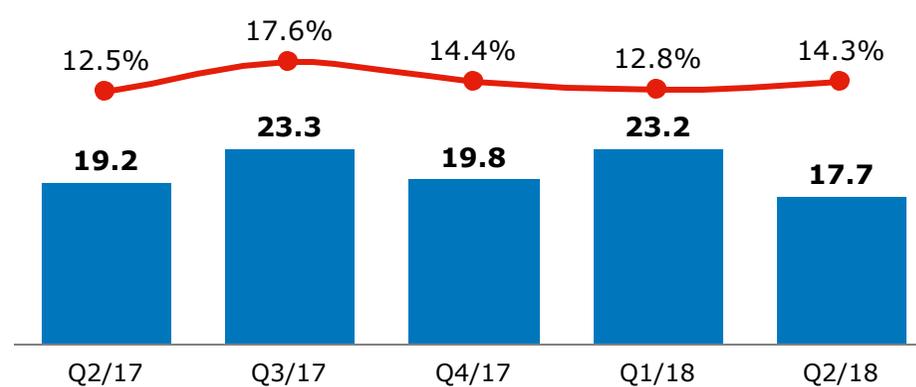
mDM Futures Trading on WSE and Market Share in Turnover (thou. of contracts, by quarter)



mDM Bonds Trading on WSE and Market Share in Turnover (PLN M, by quarter)



mDM Options Trading on WSE and Market Share in Turnover (thou. of contracts, by quarter)



Source: mBank calculations based on WSE data (Exchange Member share in trading, including session, block and other trades).

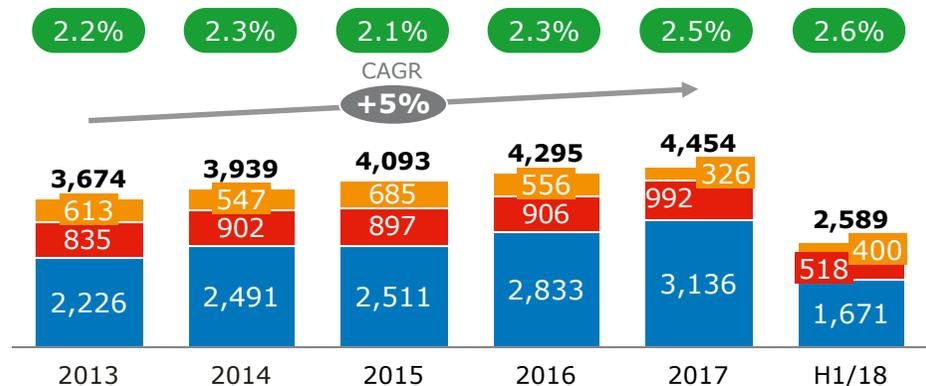
Appendix

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mBank Group's historical performance: Profit and Loss Account

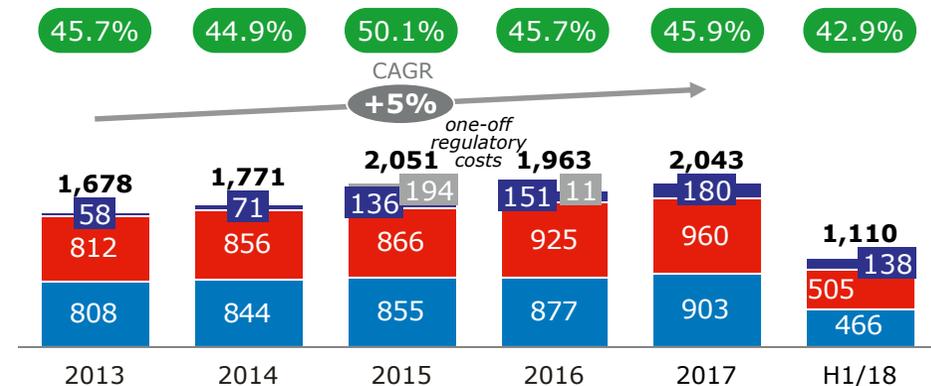
Total Income & Margin (PLN M)

■ NII ■ NFC ■ Trading and other

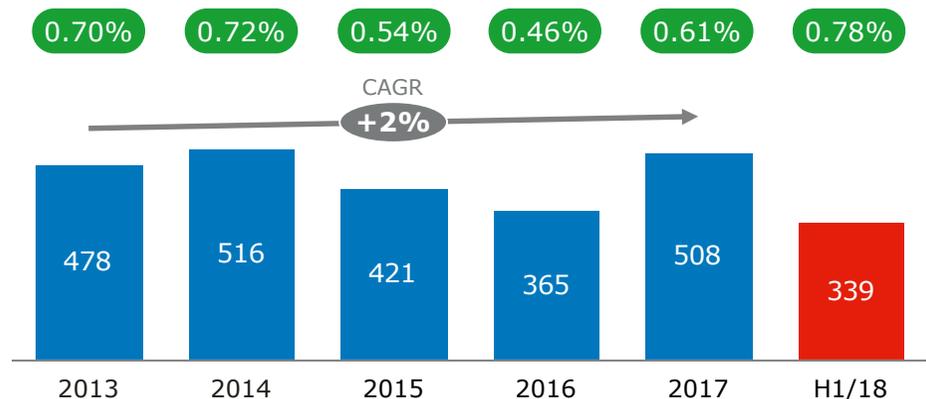


Total Costs & C/I ratio (PLN M)

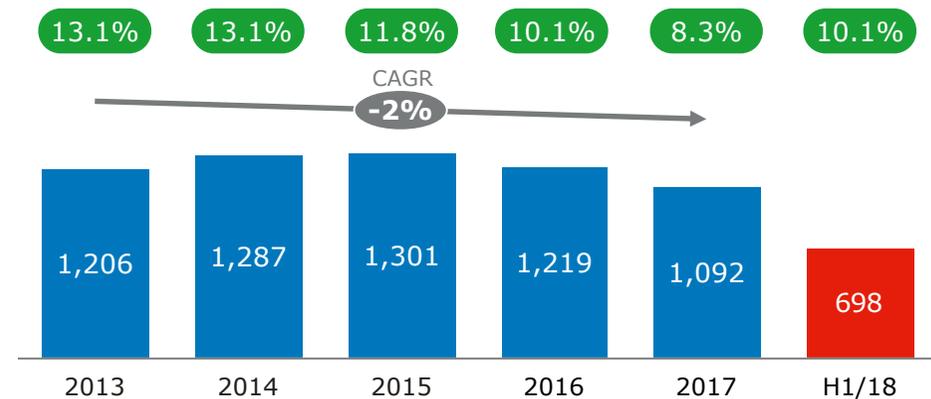
■ Personnel ■ Material and other ■ BFG



Loan Loss Provisions & Cost of Risk (PLN M)



Net Profit & Return on Equity (PLN M)

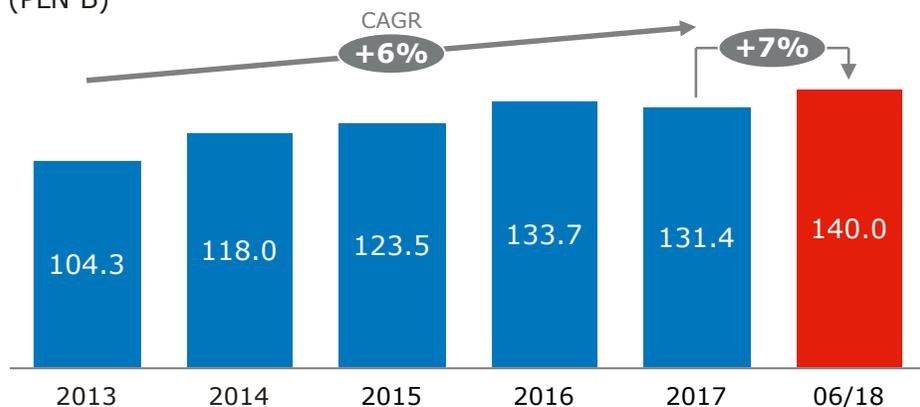


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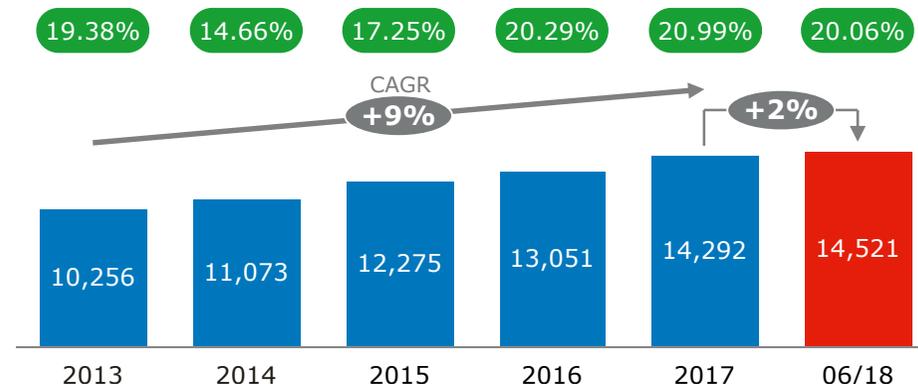
Summary
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mBank Group's historical performance: Balance Sheet

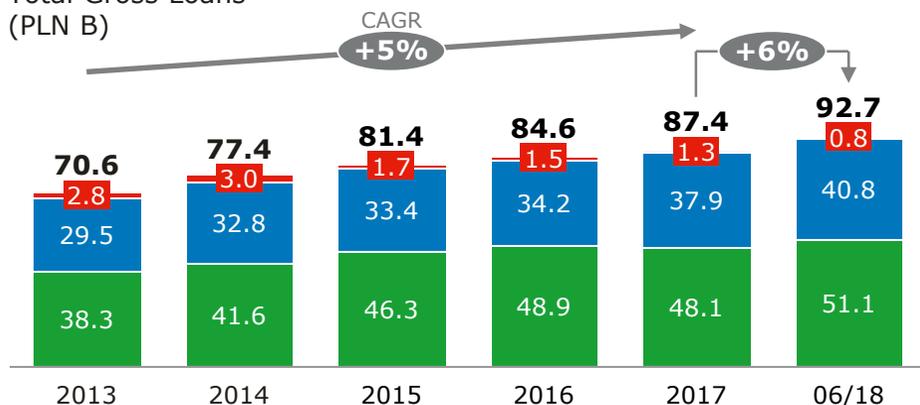
Total Assets
(PLN B)



Equity & Total Capital Ratio
(PLN M)

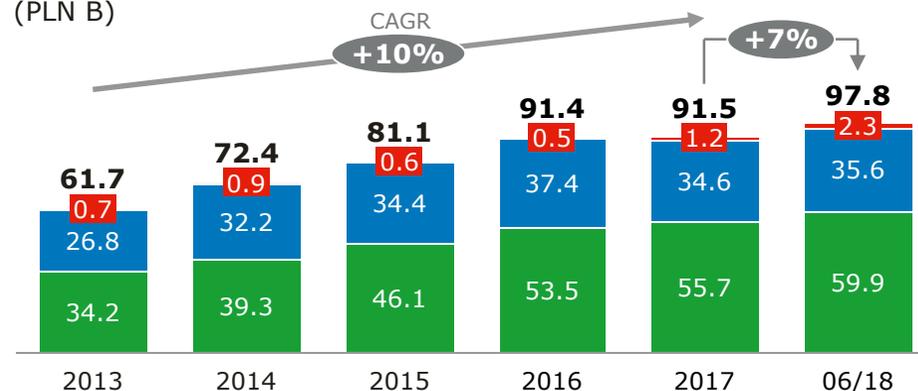


Total Gross Loans
(PLN B)



Individual clients Corporate clients Public sector and other

Total Deposits
(PLN B)



Individual clients Corporate clients Public sector

mBank's share price performance

Banking stocks declined in 1H'18 due to delaying interest rate hikes

mBank's index membership and weights*

WIG-30	WIG30	2.370%
WIG-20	WIG20	2.662%
WIG	WIG	1.780%
WIG-Banks	WIGbanki	6.180%
WIG-Poland	WIGPoland	1.823%

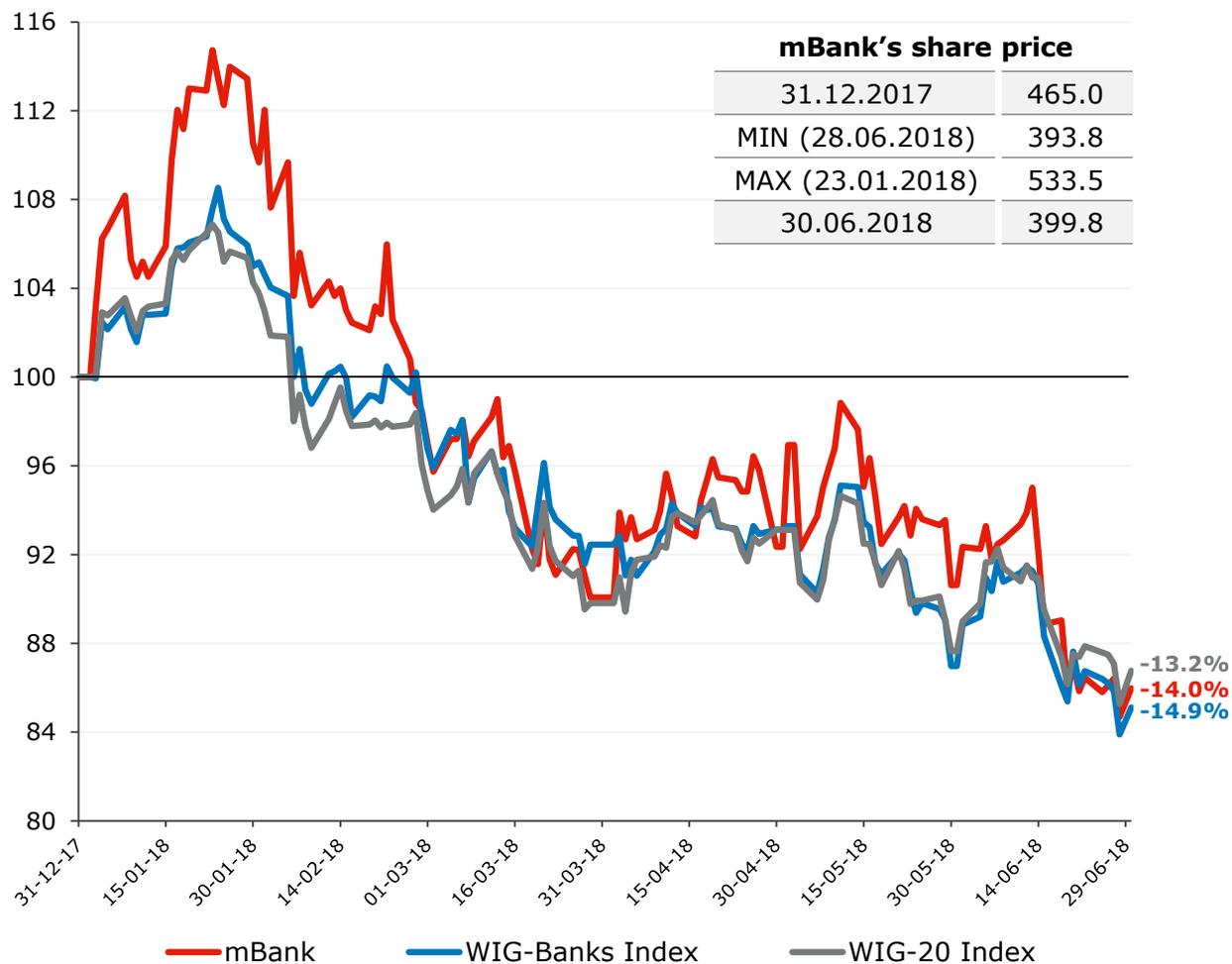
* Share in index as of 29.06.2018

- Listed on the Warsaw Stock Exchange since October 1992
- The only share belonging to WIG-20 blue chip index since its inception in April 1994
- A strategic shareholder, Germany's Commerzbank, owns 69.4% of shares

ISIN	PLBRE000012
Bloomberg	MBK PW
Number of shares issued	42 312 122

Source: WSE, Bloomberg (data as of 30.06.2018).

mBank's share performance v. main indices (rebased to 100) – YtD perspective



mBank's Mobile Banking

Focus on client convenience through well-designed functionalities

mBank launched a new mobile application in April 2017

Key functionalities of the app, inspired by users' opinions and habits, include:

- **Android Pay** and **Apple Pay** (for Visa and MasterCard holders) for contactless payments with a phone in POS;
- The possibility of **logging in with a fingerprint**;
- A display with **a pace of the client's spending** to help the users control their budget;
- **Payment Assistant** – reminders of regular payments, allowing the users to quickly settle invoices;
- **mLine in a click** – connection with consultants directly from the application, without the need of ID and telecode;



- **Mobile authorisation** – confirmation of operations made in the transaction system via the mobile application (instead of entering the code received in text message);
- **Quick cash loan** with a decision in 1 minute from request submission, based on pre-approved limit determined for the client;
- **Express transfers** using telephone numbers within the BLIK system;

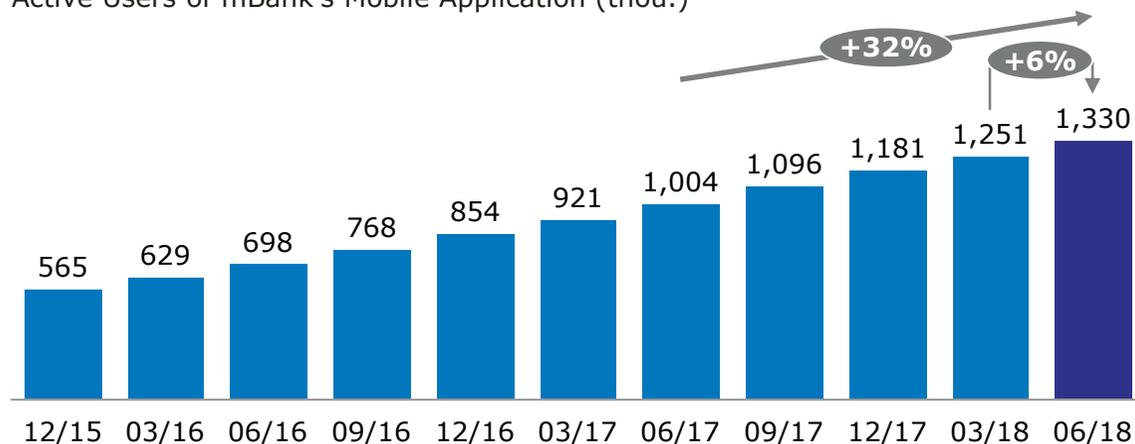


In July 2017 the share of clients who logged in to their accounts via mobile devices exceeded the logins from computers; in June 2018 it reached 59%, compared to 55% in December 2017, 37% in 2016 and 28% in 2015.



The number of mobile application users at mBank is the second highest among Polish banks.

Active Users of mBank's Mobile Application (thou.)



mBank Group's Strategy for 2016-2020

Specific business actions will be based on three strategy pillars

1

Empathy

- **Offer the best customer experience** i.e. give clients what they need just in time they need
- **Make banking easy**
- **Focused customer acquisition** oriented on **development of active client base**, incl. mBank's aspiration to acquire 1/3 of the young entering the banking market
- **Broaden the sources of information about the client** to target our offer more precisely

2

Mobility

- **Be the point of reference** in terms of **mobile banking**
- **Offer the best** (most convenient, hassle-free, intuitive and engaging) **mobile application on the banking market**
- **Enhance 'mobile first' distribution approach** within the multichannel model
- **Minimize the functionality gap** between mobile and internet
- **Expand base of active mobile app users** and sales via mobile channel

3

Efficiency

- **Grow while keeping the FTE base at current level**
- **Increase average revenues per client** every year
- **Enhance assets profitability** through an active management of balance sheet structure
- **Strengthen funding independence** through rising volume of covered bonds and clients transactional deposits
- Simplify, streamline, automate and **digitalise all processes to be a paperless bank**

New mission emphasizes focus on being close to clients and taking advantage of the mobile revolution

„To help. Not to annoy. To delight... Anywhere.“

mBank Group's Strategy for 2016-2020

Financial performance targets – 5 key measures

	Financial measure	Target point
1	Cost efficiency: Cost/Income ratio	Top3 in Poland, every year to be one of three most efficient listed banks in Poland
2	Owner's capital profitability: Return on Equity (ROE net)	Top3 in Poland, every year to be among the three most profitable listed banks in Poland, assuming ROE adjusted for dividend payment
3	Balance sheet profitability: Return on Assets (ROA net)	Top3 in Poland, in 2020 to be one of three listed banks in Poland with the highest ROA
4	Capital position in terms of core capital: CET 1 ratio	Maintain CET 1 ratio min. 1.5 p.p. above capital requirement for mBank and the ability to pay dividend every year
5	Financial stability and liquidity: Loan-to-Deposit ratio	Maintain L/D ratio at the level not significantly higher than 100% , every year

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